





## NEWS: INTERNATIONAL

Grachev plan likely to upset west

## Russia angles for special Nato link

By John Lloyd in Moscow

Russia is to present an alternative "Partnership for Peace" plan at a meeting on May 24 in Brussels between General Pavel Grachev, the Russian defence minister, and Nato leaders.

The move threatens to create a rift between the Nato alliance and Russia. The former has made clear that the partnership, aimed at bringing former Communist states into association with Nato, is open to all on equal terms only, while Russia wants a special status.

Gen Grachev said yesterday that "none of the [Nato] structures have the right to subordinate those of the Conference of Security and Co-operation in Europe. None can avoid taking Russia's interests into account - as the case of Bosnia showed. What is being presented [in the partnership] is not quite acceptable to us. We came to the conclusion - why shouldn't we present our own proposal?"

A draft of the Russian ver-

sion of the partnership is to be ready in a week for approval by President Boris Yeltsin before being unveiled in Brussels. Gen Grachev said the Russian version could be called the "Pragmatic Partnership", echoing the phrase used by Mr William Perry, the US defence secretary, of the US-Russian relationship.

However, Mr Ashton Carter, assistant US defence secretary, said in Moscow on Thursday: "There is no room for a special mechanism. I hope Gen Grachev will not bring with him such conditions."

The defence minister sounded a more threatening note on negotiations on troop withdrawals from Estonia, the latest round of which are now going on. In a clear hint that the 2,500 troops in the country could be augmented, he said: "The problem is reliable guarantees to provide normal human rights to the Russian-speaking population there. If the talks continue to drag on without results, the 2,500 troops we have there will stay. And if

circumstances should change it won't take long for us to provide reliable security for Russian military bases in Estonia."

The withdrawal date for all Russian troops has been set at August 31. Russian troops have already withdrawn from Lithuania and an agreement to withdraw those based in Latvia was signed last month.

Gen Grachev's comments revealed both the opportunities and the tensions in the Russian military's relationship with the west - a relationship deepened by two days of talks between senior Russian and US officials in Moscow on Wednesday and Thursday.

Following the talks, Mr Carter, who led the US side, said that the two former adversaries had informed each other of strategic and other issues with an unprecedented degree of openness - and that they would now extend this policy of openness to further forbidden zones such as the number of warheads and the storage of fissile materials.

## Arrest of a paradoxical Spaniard

A scapegoat or the most prominent fraudster in the country? Thursday's dawn arrest of Mr Mariano Rubio, the former governor of the Bank of Spain and now an inmate of Madrid's sprawling Carabanchel prison, has unleashed a heated national debate.

The arrest, the first in connection with the spate of scandals that has engulfed the Spanish government, took

place hours before Prime Minister Felipe Gonzalez dismissed calls for his resignation and promised in a press conference to root out corruption.

The arguments reflect the contradictions that surround the haughty and academic Mr Rubio. Not least among the paradoxes is the fact that the 63-year-old, who is formally accused of tax evasion and falsifying public documents, is already familiar with the ritual of checking into Carabanchel.

He went through the routine of strip body search, head shot

shoe laces in 1956, when he was he was linked to a clandestine socialist group at Madrid University's economics faculty and sentenced to two years jail by the Franco dictatorship.

The security police who arrested him nearly 40 years ago, and severely beat him up, were commanded by his own father, who was an army colonel. It was just as ironic that, although an atheist as well as a left-winger, he was subsequently released when General Franco marked the accession of Pope John XXIII with a partial amnesty.

But the main contradiction about the disgraced Mr Rubio is that he was a role model for those committed to professionalism, austerity, decency and democracy. Mr Juan Tomas de Salas, who faced similar reprisals under Francoism and went on to become a campaigning newspaper editor, recalls that Mr Rubio even refused to take up soft mortgage loans offered by the Bank of Spain when he started work in the institution's research department.

It is alleged that at the very time Mr Rubio consolidated his reputation as an outstanding public servant he was allegedly keeping from the taxman a P180m (\$244,000) share portfolio that was managed by his lifelong friend and broker Mr Manuel de la Concha.

A one-time chairman of Madrid's stock exchange, Mr de la



Rubio: once a role model for professionalism, democracy and decency

Concha was arrested along with Mr Rubio and the two now share a cell.

As deputy governor of the Bank of Spain between 1977 and 1984 and then governor until 1992, Mr Rubio steered the financial system through a banking crisis, subtly encouraged banking mergers and consolidated a renewed financial sector by demanding strict solvency ratios and ordering regular inspections.

A paragon of economic orthodoxy, he regularly chastised the government for its

spending and successfully lobbied for the peseta's 1993 entry into the exchange rate mechanism of the EMS, to force budgetary discipline on his political masters.

"Whatever his private dealings were, Rubio was one of the greatest governors the Bank of Spain has ever had," says Mr Jorge Hay, a senior executive at Banco Central Hispano and a student colleague of the former governor. In an interview published by the ABC newspaper yesterday Mr Rubio insisted that he was

unaware of having evaded taxes. In an editorial the newspaper claimed that the former governor had been summarily imprisoned "to suit the political convenience of the prime minister".

Mr Rubio's lawyers, who are petitioning for his release, say the former governor is the victim of discrimination because the tax he is alleged to have evaded - P180m - is well below a revised P180m level which the authorities plan to establish as the threshold for pressing criminal charges.

## Israeli backlash grows against self-rule accord

By Julian O'Connell in Jerusalem

An Israeli backlash against the Palestinian self-rule accord intensified yesterday as right-wing politicians denounced the possible return of hundreds of thousands of Palestinian refugees and farmers complained about the costs of the economic agreement.

Right-wing members of the Knesset (parliament) criticised the government after Israeli and Palestine Liberation Organisation officials said they would start negotiating the first significant right of return of Palestinians who fled their homes during the 1967 Six Day War. Israel says up to 200,000 could be eligible to return but the PLO says the figure is much higher.

The right-wing opposition Likud party said the return of Palestinian refugees would lead to a demographic disaster

and accused the government of "substituting the return of Jews with the return of Palestinians". The Tzomet party called for new elections.

Mr Rehavam Zeevi, leader of the Mokedet opposition party, said: "After the return of the 1967 refugees there will be a return of the 1948 refugees and later the return of Jews to their countries of origin."

The Israeli right wing, marginalised by the self-rule agreement, is attempting to mobilise a sceptical Israeli public to prevent the government from making further concessions to the PLO.

On the economic front, protected Israeli farmers who will face competition from cheaper Palestinian producers for the first time since 1948 called for urgent talks with the Finance Ministry. Israeli manufacturers also warned that they would lose \$1.4bn (\$360m) in sales

over three years as a result of losing market share in the self-rule areas. The association said 9,000 jobs would be lost.

The PLO continues to make plans for its delayed deployment of Palestinian police in the Gaza Strip and West Bank enclave of Jericho. In Tunis Mr Yasser Arafat, PLO chairman, was also trying to finalise his list of appointments for the 24-man national authority which will govern Gaza-Jericho.

The delay in appointing the national authority is slowing the transfer of power from Israeli to Palestinian hands, but is likely to be extremely controversial in the occupied territories, where a power struggle for positions is already under way.

The latest list includes 11 from outside the territories and 17 from prominent families and political activists in the West Bank and Gaza.

## W Europe new car sales fall

By Kevin Done, Motor Industry Correspondent

West European new car sales fell in April by 1.3 per cent to 1.02m according to provisional figures released yesterday by the European Automobile Manufacturers Association (Aeca) and the Spanish motor industry federation.

The fall was the first year-on-year decline this year and has halted, at least temporarily, the fragile recovery in west European new car demand, which started in the first quarter.

West European New Car Registrations*			
	April 1994	% Chg	% Chg
TOTAL MARKET	1,024,820	-1.2	
Germany	297,700	-12.4	
Italy	169,950	-2.8	
UK	142,010	+4.8	
France	184,920	+17.2	
Spain	69,650	+7.2	
Netherlands	40,670	-1.4	
Belgium & Luxembourg	40,170	-4.2	
Austria	30,500	-15.9	
Switzerland	27,500	-8.1	
Portugal	19,570	-16.5	
Sweden	15,450	+41.6	
Greece	12,920	+6.5	
Denmark	11,870	+36.5	
Ireland	8,070	+6.0	
Norway	7,420	+82.0	
Finland	6,130	+15.9	

\*Provisional figures. Source: European Automobile Manufacturers Association (Aeca)

## Japan withdraws atrocity claim

By William Dawkins in Tokyo

Mr Shigeto Nagano, Japan's justice minister, yesterday withdrew his claim that an infamous Japanese wartime atrocity never happened. But his unconvincing retraction prompted fresh calls for his resignation.

Mr Nagano's claim, that the 1937 massacre of Nanking was a fabrication, has angered China, South Korea, and other neighbours, throwing a shadow over Japan's recent statements of regret for the war.

The massacre of Nanking was an "undeniable fact" said Mr Nagano yesterday, in a stilted apology, restricted to the wording of an earlier government statement.

He even failed to impress his own coalition ally, Komoto, the clean government party. Mr Yuichi Ichikawa, Komoto's secretary general, said this "does not release him from the need to take the responsibility as a cabinet minister." The Social Democratic Party, Japan's second largest opposition group, said Mr Nagano's retraction did not end the matter and he should step down.

China yesterday sought to calm the row when president Jiang Zemin told a visiting Japanese politician that he wanted to develop friendship with Tokyo "while keeping in mind the past as an admonishment for the future," said officials.

However, the South Korean foreign ministry summoned the Japanese ambassador, to ask the Tokyo government to

explain its position on Japan's war record. A war victims' association staged a demonstration outside Japan's Seoul embassy, in which they burned an effigy of Mr Nagano and demanded his resignation.

Mr Tsutomu Hata, the new prime minister, is understood to be furious over Mr Nagano's remarks and the diplomatic damage they have caused. He is expected to discuss with cabinet colleagues how to respond after his return from a European tour on Sunday.

The row shows the difficulties Japan faces in trying to confront its wartime responsibilities, where it lags far behind Germany in voicing official regret for the past.

This accounts for one of the largest cracks in Japan's national consensus. Reform-minded politicians

on left and right, including the conservative Mr Hata, believe that heartfelt apologies for the war are a key to improving Japan's international credibility.

The traditionalist right wing does not accept Chinese accounts of the war and believes former prime minister Morihiro Hosokawa went too far, last year, in making the most explicit apologies to date.



A South Korean woman protests outside the Japanese embassy in Seoul yesterday against Shigeto Nagano's claims that the 1937 Nanking massacre by Japanese troops in China was a fabrication.

## UN orders tight Haiti blockade

The United Nations Security Council yesterday unanimously ordered a near-total blockade of Haiti in a renewed bid to oust the country's military leaders and restore president Jean-Bertrand Aristide to power, Michael Littlejohns reports from the United Nations in New York.

But the Council also gave members of the ruling junta 15 days to avoid the measures by observing the terms of the Governors' Island Agreement concluded last summer, on which they reneged. Lieutenant-General Raoul Cedras had agreed to step down as commander-in-chief last October 15 in preparation for Mr Aristide's return.

The new embargo would extend an existing ban on oil and arms shipments to include all trade except food and medicines. It would also freeze Haitian assets abroad.

## Congressman faces indictment

The federal prosecutor in Washington has sent to the Justice Department an outline of a proposed indictment of Congressman Dan Rostenkowski, who has been investigated in connection with the alleged misappropriation of funds from the House Post Office, according to the Washington Post. Jurek Martin reports from Washington.

If charges are filed, Mr Rostenkowski, an Illinois Democrat, would be obliged to step down as chairman of the House ways and means committee until the case is resolved. Neither he nor his lawyer had any immediate reaction to the report.

The most immediate legislative consequence of his removal from the committee chairmanship would be on President Bill Clinton's healthcare reform proposals.

## Colombia softens drugs stance

Colombia's constitutional court has overturned existing legislation and decriminalised the use of some drugs, including marijuana and cocaine. Sarita Kendall reports from Bogotá. Despite strong criticism from the government and many other sectors of society, there is no authority over the court and the decision is expected to become official next week.

The production, distribution and sale of drugs continues to be illegal.

## Warning of Hungarian backlash

Hungary's governing conservatives are resorting to increasingly desperate measures to ward

## NEWS IN BRIEF

off the widely predicted return to power of the former communists - now the Hungarian Socialist party - in parliamentary elections tomorrow, Nicholas Denton and Chrystia Friesland write from Budapest.

A leading conservative official warned of a far-right backlash if the Socialists dominate the next government and, as the conservatives fear, impose controls on the media.

"If the Socialists establish a monopoly, there would be a civil war," Mr Ferenc Kulcsar, leader of the parliamentary group of the governing Hungarian Democratic Forum, said.

## French privatisation to go ahead

Mr Edmond Alphandery, the French economy minister, yesterday vowed to press ahead with his government's privatisation programme following the strong response to the FF18.5bn (£2.2bn) sale of the state's stake in Union des Assurances de Paris (UAP), the insurance group, Alice Rawsthorn writes from Paris.

The public part of the privatisation of UAP, the biggest insurer in France and the second largest in Europe, attracted applications from 1.9m individuals for 2.5 times the number of shares available, according to the economy ministry.

Paribas, the bank in charge of the institutional part of the issue, said that tranche had been four times subscribed.

## Turkish economic prospects brighter

Turkey's economic prospects brightened yesterday after parliament passed passing laws on tax and privatisation, the twin pillars of the government's bid to cut its deficit, John Murray Brown writes from Istanbul.

The privatisation law, passed late on Thursday, gives the cabinet powers for three months to sell off state companies by decree. The austerity programme unveiled by Prime Minister Mrs Tansu Ciller envisages revenues of \$3.5bn in 1994 from state asset sales.

## Norway to float currency

Norway announced yesterday it would formally adopt a floating rate currency policy, marking a shift from a long held target of re-establishing a fixed rate for the domestic currency, Karen Fossell reports from Oslo. The krona was de-linked from the European Currency Unit on December 10 1992.

The aim of the move is to stabilise the krona against European currencies at around current levels and is a formalisation of practices undertaken since last spring.

The krona yesterday traded about 5 per cent below its former central rate against the Ecu. Should Norway join the European Union, however, it intends to take part in European monetary arrangements and the parity grid. Norway will hold a referendum in November on membership of the EU.

## Civil war engulfs divided Yemen

Eric Watkins explains why politics and religion have torn the country apart

The outbreak of civil war in Yemen has all but put paid to the country's aspirations to become a unified, democratic and modern state. Instead, there are fears that prolonged fighting between rival northern and southern factions could lead to the establishment of two or more Yemens, or worse, to complete fragmentation.

This week's fighting is primarily the outcome of growing economic disarray, and of irreconcilable political aims which have narrowed the union of north and south contrived nearly four years ago.

The leaders of the two Yemens, General Ali Abdullah Saleh for the north and Mr Ali Salem al-Beidh for the south, each had good reason to enter the union.

With the collapse of the Soviet Union in the late 1980s, Mr Beidh and his Yemen Socialist party were in a highly exposed position.

Having supported Marxist incursions into Afghanistan, Ethiopia and neighbouring Oman, Mr Beidh and his political partners were isolated from the rest of the Arab community and, with the example of the Ceausescu regime in Romania before them, faced a sudden end to their political careers. Foreign debts of some

\$5bn (£3.4bn) and few sources of revenue added to the southerners' precarious position.

In the north, Gen Saleh was also having problems. Although he had provided a stable regime for some 10 years, the parliament elected in 1993 was already beginning to launch investigations into his government and, not least, was demanding greater democratic freedom for itself and the people in general.

The north's debts were lower and its assets greater, especially because of oil production begun under Gen Saleh, but its economy was beginning to falter from high imports and a drop in remittances from expatriate workers in the Gulf.

The union of south and north Yemen on May 22 1990 was thus a marriage of convenience involving two sickly economies, dressed up for popular appeal with promises of democracy.

Yemen's Gulf war stance contributed to its descent into civil war. While condemning the Iraqi invasion of Kuwait, Yemen likewise condemned the US-led coalition and called for negotiations with a purely Arab context.

Stung by such lacklustre support from their impoverished neighbours, Saudi Arabia quickly changed its residency

rules in September 1990, forcing nearly 1m Yemenis to leave the country.

The sudden decline in remittances and the simultaneous needs of so many extra people were disastrous for Yemen's economy. A year later, the Yemeni rial was trading at 37 to \$1, a drop of nearly 200 per cent over its pre-war value. Today it trades at 78 to \$1.

Political infighting has been the chief cause of Yemen's conflict. Almost from the outset of unification, Yemen found itself plagued by a series of unexplained assassinations and attempted murders. Omnivorously, most of the targets were Mr Beidh's political associates. Repeatedly, the socialists demanded stronger security measures and determined efforts to catch and punish the assassins. The Saleh regime turned a blind eye to the problem and, as it did so, the southerners became increasingly convinced of its determination to see them liquidated.

Elections on April 27 1993 also convinced Mr Beidh and his party of Gen Saleh's intentions to marginalise their role in the government. Within days of the voting, the fundamentalist Islah party began to demand a greater role in government because of its performance at the election. The

socialists grudgingly yielded and, together with Gen Saleh's General Peoples' Congress, entered into a coalition with Islah.

The new coalition had no sooner been formed than Islah leaders, with the apparent approval of Gen Saleh, began to demand a repeal of socialist-sponsored legislation. Fearing the gradual erosion of his party's position and the potential annexation of the entire south as a result, Mr Beidh left Sanaa in August 1993, vowing not to return.

In September 1993 he issued an 18-point programme of national reform and demanded its implementation as a condition of his return to Sanaa. Though Gen Saleh and Mr Beidh eventually signed the agreement last February the document has never been implemented, nor is it ever likely to be.

The crisis turns on many factors, not least last year's parliamentary elections. Few in Yemen accept the results as genuine, citing many abuses in the electoral proceedings before, during and after the vote. As the editor of one newspaper recently wrote, they were "make-believe elections". But Gen Saleh and his political allies claim to have won a legitimate mandate and, with

it, the right to use military force to preserve the unity forged four years ago.

Mr Beidh does not accept Gen Saleh's claim to legitimacy, seeing it as a ploy to annex the south and to impose his will by force over the entire nation.

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Four years after Nelson Mandela walked to freedom, South Africa's new president reaches out to his one-time opponents

# Spirit of reconciliation sweeps aside letter of vote

The election was deeply flawed, but nearly everyone likes the outcome, write Patti Waldmeir and Michael Holman



South Africa has delivered what one political analyst yesterday described as a "designer outcome": a political settlement which binds in all the significant parties, and leaves only the tiniest fractions to the far left and right out in the cold of extra-parliamentary opposition. Even Inkatha, most reluctant participant in the process, now has a vested interest in success.

The outcome, reached after 10 days of electoral bumbling and administrative farce, might have been designed by a higher power to bring long-term stability in the new South Africa.

The African National Congress is strong, but not overwhelmingly dominant: it did not gain the two thirds of the national vote which would have made it simpler to force through its ideas on a new constitution in the constituent assembly. And crucially, it did not gain control of two important provinces, KwaZulu Natal, with a fifth of the population, and the Western Cape.

The National party did not fare as well as outgoing President F.W. de Klerk had hoped, but it did scrape past the 30 per cent psychological barrier needed to give the party a substantial power base from which to argue the interests of minorities within the government of national unity. Mr de Klerk will be one of two deputy presidents, and the party's support within the civil service, the security forces and the business community will give it added clout.

Even more important, the Inkatha Freedom party won the province of KwaZulu Natal with a fraction over 50 per cent of the vote, giving the party a one-seat majority in the 81-member provincial assembly. Local ANC officials are screaming foul play, and they are almost certainly right: there were no doubt many petty frauds, and perhaps some grand ones committed in the province. But the ANC's

national leadership has either decided to accept that its hands, too, were not clean; or more plausibly, the ANC simply accepted that it had to concede the province to Inkatha, or jeopardise the whole election.

The ANC paid a high price for ensuring that the election outcome was accepted by Inkatha: it surrendered Natal, where 15,000 people have died in the past decade in fighting which the ANC blames on the IFP. But this was almost certainly the wisest course: for with Inkatha running well ahead in the polls (however crooked the results may have been), the party of Chief Mangosuthu Buthe would never have accepted defeat. And it is likely to prove much South Africa.

**The political parties have decided that it does not matter 'who crooked more'**

less belligerent within government than without.

ANC supporters on the ground are unlikely to concur: they will find it hard to swallow an electoral result which they fervently believe is based on fraud. But the ANC leadership, even on the local level, has made clear that it will preach acceptance of the outcome. ANC southern Natal regional secretary Jeff Radebe, yesterday named a minister in the new national government, fumes and complains but concludes that the ANC must accept the result. "We have no alternative," he says, but adds that provincial realities will force the two parties to work together even so.

"The IFP knows in its own heart of hearts that even if they win this election, there is just no way that they can rule this province without us. We are the power in the Durban

area: there is just no way that they can rule the area." IFP leaders agree: under the constitution, the two parties must share power in the 10-member regional executive, along with the outgoing National party. (The IFP is likely to have five executive seats, the NP one and the ANC three or four).

Both sides agree that the two top leaders in the province, the ANC's Jacob Zuma and the IFP's Frank Mdlalose, get on extremely well. "It's a love relationship - to the annoyance of both sides," says a senior IFP leader. He holds out high hopes that the two men, both moderates, can help bring peace to Natal.

So, four years after Mr Nelson Mandela was released from jail, South Africa has delivered a political settlement that could bring lasting stability.

But not all was perfect: the liberal Democratic party was nearly wiped from the national slate, gaining only 1.73 per cent of the national vote, casting doubt over the future of liberalism in Africa and substantially reducing its role in writing the new constitution (though it has more support in provincial parliaments). The right-wing Freedom Front fell far short of its goal of 800,000 votes, the total demanded by the ANC in exchange for taking the Front's demands for an African homeland seriously. The ANC could, on this basis, decide to refuse the Front's demands; but it knows it cannot do so without provoking further right wing violence.

And the poor showing of the black-supremacist Pan Africanist Congress, with only 1.25 per cent of the vote, will enrage its supporters. But the PAC's defeat reflects a welcome rejection of black-on-white racism. South Africans did vote racially: 85 per cent of blacks and almost no whites for the ANC, almost no blacks but the bulk of other races for the NP. But they did not vote for racism; and that must be good for South Africa.

No one will ever know if the result is an accurate reflection of the will of the South African people; indeed, if it is so, it is probably by accident. "Both

## How they voted: results\*



Party	Votes	Seats
African National Congress (ANC)	12,237,855	252
National Party (NP)	9,983,690	82
Inkatha Freedom Party (IFP)	2,053,294	43
Freedom Front (FF)	484,595	9
Democratic Party (DP)	338,428	7
South African Communist Party (SACP)	243,478	5
African Christian Democratic Party (ACDP)	88,104	2

\* Provisional results from IEC; votes counted 19,725,579; of which 193,081 ballots spoiled

Northern Cape		
Political Party	Votes	Seats
ANC	260,353	16
NP	163,452	12
IFP	24,419	2
DP	7,567	1
PAC	3,785	
FF	1,688	
Total Votes		
1,470,000 with 1.9% abstentions		
Total registered voters		

Province	Party	Votes	Seats
ANC	220,220	16	
NP	163,452	12	
IFP	26,117	2	
PAC	7,557	1	
DP	1,688	0	
FF	1,688	0	
ACDP	1,688	0	

### What they voted for

A national parliament with two houses indirectly elected by each of the nine provinces. The voters vote twice, once for a single member of the National Assembly and once for a list of members of the National party, which had no provincial legislatures. Provincial legislatures range from 30 to 40 members. National cabinet posts will be allocated to members of the National party. The president will be elected by a joint meeting of the National Assembly and the provincial legislatures.

Provisional results from IEC, votes o

ies crooked like hell and it requires the wisdom of Solomon to sort out who crooked more," says one political insider.

Perhaps, fortuitously, the manifold irregularities experi-

# delight

flanked by his two new  
 dents, Mr Thabo Mbeki of  
 Mr De Klerk.

The other central economic pillar of the Reserve Bank, will also be unchanged. The disciplinarian Mr Christenson will remain as governor when he retires in July.

The moderate tone established by the re-appointment of Mr Christenson was further strengthened by the appointment of Mr Thabo Mbeki as to be the next president, effectively Mr

prime minister and probable heir. Mr Mbeki has long been the acceptable face of the business community, at home and abroad; he has served as ambassador to white South Africa in the early 1980s, when tensions began between the ANC and Afrikaners.

Whites know and like him

well educated, urbane and soothes their fears.

Few other candidates could such a conciliatory stamp of approval. Mr Mbeki's chief rival for deputy president, Cyril Ramaphosa, is a brilliant strategist and a political negotiator. He has been tougher, but perhaps not as much as Mr Ramaphosa has opted to be. He sits on the cabinet, working

own, the ANC as party secret

# prepare

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nt, it is possible that Mr  
el and Mr Frank Mdlalose,  
Inkatha Freedom party pre-  
of KwaZulu/Natal - the  
y other province without an  
C majority - might find an

likely ally in Mr Tokyo Sexwale. Mr Sexwale is the charismatic ANC leader of the region of Pretoria-Witwatersrand-Vereiging.

Mr Sexwale, a former guerrilla leader who enjoys widespread support among the radiantly young, will assume control of the wealthiest and most

ensely populated of the nine provinces. Containing the cities of Pretoria and Johannesburg and a string of other industrial towns, the region

## What they voted for

■ A national parliament with two houses: a 400-seat National Assembly, elected by the people, and a 90-seat Senate, with 10 members elected indirectly by each of the nine provincial legislatures.

■ The voter voted twice, once for a single party or organisation on the national lists and once for a single party or organisation on the provincial lists.

■ National Assembly seats will be allocated by proportional representation, 200 from national lists and 200 from provincial lists, except in the case of the National party, which had no national list and will choose all its representatives from provincial lists.

■ Provincial legislatures range from 30 to 85 members, seats allocated by proportional representation.

■ National cabinet posts will be allocated proportionately from parties holding a minimum of 20 seats.

■ The president will be elected by a joint session of both houses.

\* Provisional results from IEC; votes counted 19,725,579; of which 193,081 ballots spoiled

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■ National Assembly seats will be allocated by proportional representation, 200 from national lists and 200 from provincial lists, except in the case of the National party, which had no national list and will choose all its representatives from provincial lists.

■ Provincial legislatures range from 30 to 85 members, seats allocated by proportional representation.

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\* Provisional results from IEC; votes counted 19,725,579; of which 193,081 ballots spoiled

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## THE CABINET

President Nelson Mandela  
First deputy president Thabo Mbeki  
Second deputy president F.W. de Klerk  
Finance Derek Keys  
Foreign Alfred Nzo  
Trade and Industry Trevor Manuel  
Defence Joe Modise  
Housing and welfare Joe Slovo  
Justice Dullah Omar  
Labour Thabo Mbeki  
Minister without portfolio Jay Naidoo  
Police Sydney Mufsoni  
Education, Arts and Culture Sibesiso Shengu  
Health Nkomoza Dlamini Zuma  
Transport Moe Moe  
Provincial Affairs Kader Asmal  
Public Enterprises Stella Sigweni  
Public Services Zola Skweyiya  
Public Works Jeff Radebe  
Correctional Services Ahmed Kathrada

This is exactly the post he always said he wanted: but no one believed him, suspecting he had higher political ambitions.

Apart from these certainties, some posts remain unfilled. The ANC has said there will be six National Party ministers, but has named only one (Mr Keys); and it has not named the three Inkatha Freedom Party ministers due to be appointed to the government of national unity. Somehow, Inkatha Free-

dom Party leader Mangosuthu Buthe must be accommodated in a post which acknowledges his surprisingly strong electoral showing: 10.5 per cent of the national vote. Easily offended, his pride must be assuaged; this will not be an easy task.

There are also some wildcards, and some weaknesses, in the remaining ANC appointments. Mr Jay Naidoo, appointed minister without portfolio, is expected to oversee the ANC's reconstruction and development programme, though it is not clear how much power he will have over finance minister Mr Keys. Mr Mandela has made abundantly clear that he will brook no opposition from anyone on implementing the programme - apparently including Mr Keys. There could yet be conflict, when the programme's goal of black uplift inevitably clashes with the need for fiscal discipline.

One notable weakness is foreign minister Alfred Nzo, former ANC secretary general, who was replaced three years ago, partly because of poor performance. He will do little to raise South Africa's international profile.

Both police and defence have gone to the ANC, leaving the National Party with no important security portfolio, although Mr Mandela has said he is prepared to amend the cabinet list after consultation with Mr de Klerk.

Man in the news, Page 9

## Clinton sued over Arkansas sex claim

By Jurek Martin in Washington

President Bill Clinton was yesterday sued for damages by a former Arkansas state employee who alleged that three years ago tomorrow he pressed her to engage in sexual relations.

The suit by Ms Paula Corbin Jones, now 39, seeks an apology and \$750,000 (\$254,000) in damages from Mr Clinton and from an Arkansas state trooper who, she alleges, summoned her to the then governor's hotel room in Little Rock. The civil action against an incumbent president, filed in federal court in the Arkansas capital on the day before the statute of limitations expired, appears without precedent in American history. It was not clear when the case would come to trial.

Mr Robert Bennett, the Washington "superlawyer" hired by Mr Clinton for the defence, dismissed the charges as "tabloid trash with a legal caption on it". Aggravating affixing his client's innocence, he said, "This is about money and book contracts, and radio and television appearances, as will become very clear before this litigation is over."

Ms Jones's motives were questioned in an interview by her older sister, Charlotte Brown, who reported that Ms Jones had told her earlier this year, before she first went public with her charges that "whichever way it went, it smelled money". It is difficult to ascertain how much the suit may harm Mr Clinton. There is a high level of public sensitivity to accusations of sexual harassment, especially since the Anita Hill accusations against Judge Clarence Thomas.



## NEWS: UK

## Societies consider loyalty bonuses for savers

By Alison Smith

Building society savers could be given loyalty bonuses or a share of the profits under schemes being considered by some of the larger societies.

The aim would be to underline to members their ownership of the society and the advantages of mutualism, encouraging them to look on their membership as a continuing benefit

rather than an asset which they should sell for a one-off payment.

Such schemes might have the added benefit for societies of attracting retail deposits. Societies have suffered a net outflow of retail deposits in each of the last five months for which figures are available.

Since Lloyds Bank's £1.8bn offer for Cheltenham & Gloucester building society last month, societies

have become more conscious that their members might want to "unlock" some of the value of their ownership. C&G members will receive cash payments of up to £10,000 each if the deal goes ahead.

The schemes being considered fall into two forms. One would involve handing a share of profits to members as a "dividend". The other would give savers a bonus after, for example, five or 10 years.

Among the traditional arguments in favour of mutualism has been that societies are able to offer more competitive rates to both saving and borrowing members than banks are able to do, because they do not have to divert any income to pay dividends to shareholders.

Some of the more innovative societies, however, now believe that they should seek to provide benefits with a higher profile.

The sector as a whole is better placed to consider payouts than it has been in recent years. The 1993 results for 19 of the 20 largest societies show an average increase in pre-tax profits of 53 per cent over 1992, and a fall of 18 per cent in provisions for bad debts.

Schemes are being considered both by societies that are determined to remain independent mutual institutions, and by those that would be

ready to convert to plc status, but which do not wish to come under pressure from their members to do so immediately.

The Building Societies Commission, the sector's statutory regulator, said yesterday that there was no legislation preventing societies from paying out cash to their members.

Merger split, Weekend, Page III  
C&G's bait, Weekend, Page V

## Regulator turns up heat in gas row

Ofgas, the gas industry regulator, will next week carry out its threat to publish a controversial consultation document on competition in the industry if the government continues to delay its publication, Robert Corne writes.

Ofgas yesterday said it saw no reason to delay publication any further. Ms Clare Spottiswoode, Ofgas director general, could reach a point next week where she would release the report "regardless of the politicians".

The document, which sets out in detail how the domestic gas market will be open to competition beginning in 1996, is awaiting approval by Mr John Major, the prime minister. The proposals have proved politically sensitive because of fears that deregulation would lead to wide price variations, with possible increases for consumers who use relatively small amounts of gas.

Last month Ms Spottiswoode, who helped to write the report, threatened to publish it unilaterally if the government failed to do so by yesterday.

Earlier this week Ofgas and the government agreed on a compromise date of May 9. But yesterday it appeared that the government would miss the Monday deadline.

## Miners receive payout ultimatum

British Coal yesterday gave its 10,000 miners an ultimatum to accept a new deal on working conditions and redundancy arrangements within the next two weeks, or risk losing a £5,000 sweeper.

The lump sum is for agreeing to flexible conditions including weekend work and extending the maximum roster shift from 7½ to 12 hours. It would also build redundancy payments of up to £27,000 into employment contracts.

If miners do not accept the deal by May 20 they will lose the offer and be eligible only for maximum redundancy payouts of £5,150. British Coal said yesterday. If the deal is accepted, the redundancy terms would be valid until 1996 for private companies which are set to buy British Coal.

Mr Kevin Hunt, British Coal's employee relations director, said: "Everyone must understand this is not only the best offer in town, it's the only offer."

British Coal has reduced the price of household coal by 6.5 per cent in a summer campaign to boost sales and help offset the effects of value added tax on fuel, the company said yesterday.

## Teachers hostile to sex guidelines

Instructions from Mr John Patten, the education secretary, to set sex education in a "framework of values" met a hostile response from teachers yesterday.

The guidelines say that giving an under-age pupil advice on contraception without parental knowledge or consent would be inappropriate, even if this is against the wishes of the child.

All state-maintained schools in England and Wales will be required to publish their formal policy on sex education, in line with Mr Patten's guidelines, by September this year.

Teachers are alarmed that they could face prosecution if they give advice on contraception to pupils aged under 16. Mr David Hart, general secretary of the National Association of Head Teachers, said: "It is difficult to see how this guidance document will make a significant contribution to the government's policy of reducing the number of teenage pregnancies by 50 per cent by the year 2000."

## Equitable Life in £60m office deal

The Equitable Life Assurance Society has bought an office building in Reading for £60m.

The 147,000 sq ft building at 121 King's Road is let to Prudential, the insurance company. It has been sold by OIL Property Investment, the UK property arm of German Hypo Bank, which bought it for about £45m in March 1993.

## Post office strike

Main post offices around London will be hit by a second one-day strike next Wednesday. The UCU communication workers' union said yesterday that about 2,000 staff would stage a second protest against the closure programme, which has seen London lose almost half its purpose-built post offices in the past five years.

## Disabled bill sets off MPs' protests

By James Birt

The government yesterday came under fire from its own backbenchers for using delaying tactics in the Commons to kill a private member's bill that would end discrimination against disabled people in the workplace.

Tory and Labour MPs accused ministers of orchestrating a series of amendments which ensured that legislation proposed by Mr Roger Berry, Labour MP for Kingswood, was abandoned before concluding its report stage.

Mr Nicholas Scott, the social security minister, assured MPs that the government would launch a consultation process which would seek to combat discrimination against disabled people at work.

But his announcement failed to appease Tory backbenchers, such as Mr Alan Howarth, a former Conservative education minister. "There are 6m disabled people in this country and they and their families will deeply resent attempts to scupper this bill," he told the Commons.

Mr Scott told MPs that the government's principal concern was that the legislation would impose significant costs on businesses, forcing them to provide goods, services and access to public places.

He claimed that the measures would cost industry up to £17bn, with annual running costs of about £1bn a year.

## Tunnel marks historic step for old rivals

By John Hidding in Coquelles and Charles Batchelor in Folkestone

Britain and France took a historic step closer to each other yesterday when the Queen and President François Mitterrand officially opened the Channel tunnel, the £10bn project which forms the first man-made link between the two nations.

Two hundred years of on-off plans and seven years of tough and often dangerous tunnelling came to an end with a ceremony at the tunnel's Calais terminal following a trip from London through the 32-mile tunnel by the Queen.

The two heads of state pronounced the tunnel open by cutting a ribbon of Calais lace stretched between two high speed trains which had carried them to the Eurotunnel terminal at Gare du Nord station.

In Paris, President Mitterrand set off for the ceremonies after inaugurating a new rail terminal at Gare du Nord station. He and prime minister Edouard Balladur left the French capital on a high-speed train bedecked with French and British flags to join the Queen at Calais.

The French president, the son of a railway stationmaster, said in a newspaper interview that the tunnel helped "anchor the construction of Europe".

bringing it forward "more than any speeches".

President Mitterrand said he felt "very emotional and proud. After two centuries of dreams, today is the conclusion."

He said the tunnel was one of the century's most prestigious endeavours. The opening of the rail link, he said, would strengthen the European Union and the creation of a single market.

President Mitterrand praised Lady Thatcher for her part in sanctioning the building of the tunnel when she was prime minister. Lady Thatcher, sitting in the front row among hundreds of dignitaries, smiled as President Mitterrand singled her out.

In Britain the day began with the official opening by the Queen of the Waterloo International Terminal.

The 500m Eurostar train carrying the royal party, Mr John Major and government ministers and rail officials increased its speed as it swooped into the tunnel at Folkestone.

Apart from the darkened tunnel walls flashing past at up to 100mph, the 30-minute journey through the tunnel itself was marked only by a slight increase in noise from the air conditioning system.

On arrival at the Calais terminal, the Eurostar train nosed up to its counterpart which had brought President Mitterrand and French digni-



Fellow travellers: Lady Thatcher greets Lord Howe, John Gummer, Michael Howard and John Major at yesterday's Waterloo ceremony

taries from Paris. A French military band struck up before the ribbon cutting.

The Queen, noting that yesterday was the first time that British and French heads of state had met without travelling by boat or aircraft, said the tunnel demonstrated the strength of relations between the two countries.

Speaking in French to an audience of more than 1,000 guests into a Marquee on the terminal, the Queen referred to the "violent fluctuations" in Anglo-French relations through the ages. But the tunnel, she said, was an example

of "a successful combination of French élan and British pragmatism".

She congratulated the engineers and entrepreneurs who had built it, saying that they had "rejoined what nature had separated for some 40m years".

After lunch, the Queen travelled back through the tunnel on board Le Shuttle, one of the trains which will carry cars between Paris and London in three hours. She was joined in her Rolls Royce Phantom VI by the French president.

At Folkestone, Eurotunnel co-chairman Sir Alastair Morton told the two heads of state:

"It is my proud honour and privilege to confirm that the Channel tunnel is built and ready for service."

"In a year or two the journey you have both just made will be an everyday experience for millions of people."

But Sir Alastair said people must not forget the 10 workers who died building the project.

Mr Denis Filer, president of the Engineering Council said: "Our congratulations go to the engineers of all disciplines who have accomplished what must be rated as one of the world's greatest engineering achievements. It is a proud day

for British engineering."

Yesterday's official opening marks the end of seven years construction, following the signing of the Channel tunnel treaty in 1987. The costs of the project have risen to double the original estimates.

The tunnel system was today once again closed to the public and returned to a ritual of testing for a start up date for services which has yet to be decided. Freight trains may start using the tunnel as early as next week if safety clearance is obtained but passenger services will probably have to wait until July.

## Hitch in economic recovery forecast

By Gillian Tett

Hints that the economic recovery may falter towards the end of the year came yesterday with the publication of Central Statistical Office figures showing a fall in its economic cyclical indicators.

The shorter leading index, which predicts economic turning points about five months in advance, fell for the third month in a row after rising continuously in 1993. The CSO said the fall was caused by a drop in share prices and weak results from a recent consumer confidence survey.

The index, calculated from a basket of economic indicators including consumer credit figures, registrations of new cars, share prices and business surveys, has proved only partially accurate in the past. But yesterday's figures were consistent with trends in the other CSO indices.

The longer leading index, which attempts to predict turning points 13 months in advance, fell for the third month in a row after remaining broadly flat in the second half of last year.

The main reason for the fall was a decline in business optimism found by the Confederation of British Industry's April survey, the CSO said. The longer leading index is compiled from economic indicators which include interest rate levels, housing figures, yield curves and financial deficit figures.

The coincident index, which measures current turning points, also fell fractionally in March after rising steadily during the previous 18 months.

## Company failures reduced by 3%

By Andrew Jack

Fewer companies founded in the first quarter of this year, providing an indication that the economy is emerging from recession, official figures showed yesterday.

Seasonally adjusted figures for failures in England and Wales were down 3 per cent to 4,513 for the three months to the end of March compared with 4,694 in the last three months of last year.

The figures, prepared for the British Chambers of Commerce by the government's statistical service, were down 22 per cent on the same quarter of 1993.

Mr Richard Brown, deputy director-general of the chambers, said the figures were "an indication that we are heading in the right direction".

There were 2.2 per cent of

active companies which became insolvent in the 12 months to March this year against 2.3 per cent in the year ending three months earlier.

Separate statistics yesterday from the government's Insolvency Service showed that the total number of company insolvencies in England and Wales last year was 20,825, down from a record 24,426 in 1992.

This included 8,361 compulsory liquidations, 12,464 creditors' voluntary liquidations, 5,382 receiverships, 2,969 members' voluntary liquidations, 134 voluntary arrangements and 113 administrator appointments.

In Scotland there were 551 company insolvencies including 286 compulsory liquidations and 265 creditors' voluntary liquidations.

## Tax rises depress sales of new cars

By Kevin Done, Motor Industry Correspondent

Registrations of new cars in the UK rose by 4.8 per cent in April, the smallest year-on-year increase this year, as the recovery in new car demand faltered under the impact of recent tax increases.

Sales of new cars in April rose to 142,009 from 135,469 in the same month a year ago, figures from the Society of Motor Manufacturers and Traders showed yesterday.

In the first four months of the year registrations of new cars, at 671,445, were 14.1 per cent higher than a year before.

"The April tax increases have clearly slowed the rate of market recovery," said Mr Ernie Thompson, SMMT chief executive.

Sales of new cars in the full year, however, were still on course for an increase of at least 7 per cent to more than 1.5m, Mr Thompson said.

Ford, the leader of the UK market for new cars, has recently revised upwards its sales forecast for the full year

UK NEW CAR REGISTRATIONS									
	Volume	Change%	Share%	Volume	Change%	Share%	Volume	Change%	Share%
Total market	142,009	+4.8	100.0	100.0	671,445	+14.1	100.0	100.0	100.0
UK produced	61,228	-1.9	43.1	43.1	291,333	+8.7	43.4	43.4	43.4
Imports	80,463	+10.6	56.7	56.7	380,052	+18.5	56.6	56.6	56.6
Japanese makes	18,381	-5.2	12.9	12.9	76,399	+2.4	11.4	11.4	12.7
Ford group	31,837	+9.7	22.4	21.4	152,233	+13.7	22.7	22.8	22.8
- Ford	31,300	+9.8	22.0	21.0	149,866	+13.6	22.3	22.4	22.4
- Jaguar	537	+2.5	0.4	0.4	2,567	+18.5	0.4	0.4	0.4
General Motors	23,213	-8.4	16.3	16.3	118,694	+12.1	17.5	17.1	17.1
- Vauxhall	22,585	-8.4	15.9	17.8	116,180	+19.5	17.3	16.5	16.5
- Saab*	628	-5.4	0.4	0.5	3,501	+7.0	0.5	0.6	0.6
BMW group	20,098	-1.2	14.2	15.0	98,518	+10.0	14.8	15.3	15.3
- BMW	3,523	+3.0	2.5	2.5	16,432	+16.3	2.5	2.4	2.4
- Rover*	16,576	-2.0	11.7	12.5	82,086	+8.8	12.3	12.9	12.9
Peugeot group	18,718	+22.8	13.1	11.2	84,077	+12.2	12.6	12.7	12.7
- Peugeot	12,264	+17.3	8.6	7.7	51,558	+8.3	7.7	8.1	8.1
- Citroen	6,454	+34.8	4.5	3.5	32,459	+19.0	4.8	4.8	4.8
Volkswagen group	9,050	+2.3	6.4	5.8	42,086	+32.4	6.5	6.6	6.6
- Volkswagen	4,420	-13.9	3.1	3.8	26,896	+18.1	3.9	3.8	3.8
- Audi	1,476	-7.7	1.0	1.2	8,385	+21.1	1.3	1.2	1.2
- SEAT	1,002	+88.0	0.8	0.4	4,331	+84.4	0.7	0.4	0.4
- Skoda*	1,032	+93.6	0.7	0.4	4,096	+322.4	0.6	0.2	0.2
Renault	9,407	+23.6	6.6	5.6	36,828	+19.2	5.5	5.5	5.5
Nissan	7,760	+13.0	5.5	5.1	30,247	+7.8	4.5	4.8	4.8
Toyota	4,191	-19.3	3.0	3.8	17,530	-4.8	2.6	3.1	3.1
Fiat group	4,248	+18.6	3.0	2.6	17,529	+34.3	2.6	2.2	2.2
- Fiat	4,132	+21.5	2.9	2.5	16,908	+40.0	2.5	2.1	2.1
- Alfa Romeo	112	-42.6	0.1	0.1	546	-26.5	0.1	0.1	0.1
- Lancia	4	-81.3	0.0	0.0	75	-88.0	0.0	0.0	0.0
Velo	2,434	+8.2	1.7	1.7	14,166	+0.5	2.1	2.4	2.4
Mercedes-Benz	2,304	+43.1	1.6	1.2	10,961	+52.8	1.6	1.2	1.2
Honda	2,828	-9.7	2.0	2.3	10,894	+12.3	1.6	1.6	1.6
Mazda	1,579	+5.7	1.1	1.1	6,449	+5.3	1.0	1.0	1.0

\*GM holds 50% of Saab Automobile and has management control. \*Includes Range Rover/Discovery. \*VW holds 31% of Skoda and has management control.

Source: Society of Motor Manufacturers and Traders

to 1.55m. It said the slowdown in the rate of growth in April was "partially due to the tax increases" but it was leaving its forecast for the whole of 1994 unchanged.

The recovery slowed in April chiefly in the retail sector of the market, including small businesses, with registrations rising by only 2 per cent.

Sales to fleets (operators of 25 or more cars) rose by 8.1 per cent year-on-year in April and accounted for 48.2 per cent of the total market. In the first four months fleet sales rose 16.9 per cent year-on-year compared with an increase of 11.8 per cent in retail sales. Fleet sales accounted for 44.6 per cent of the total market com-

pared with 43.5 per cent a year before.

Imported cars, taking an increasing share of the UK market, captured 56.7 per cent of new-car sales in April compared with 53.7 per cent a year before. French carmakers Renault and the PSA Peugeot Citroën group both performed strongly last month.

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## Treasury veto sinks 'charterline'

By John Willman,  
Public Policy Editor

The government has scrapped plans for a national telephone helpline on the public services after the Treasury vetoed cash for advertising.

The "charterline" was meant to give callers information about the Citizen's Charter and tell them who to contact to find out more about particular services.

It also offered advice on how to complain about a wide range of local and national services including government departments, health service organisations, local authorities and utilities.

The service is to be abandoned, however, after incurring costs of more than £70 a call during a 10-month pilot study in three Midlands counties. Demand in the pilot area averaged 35 calls a day, compared with forecasts of 30,000 a month.

Mr William Waldegrave, public service minister, has rejected a recommendation from consultants who reported on the pilot to extend the service nationally. There would be minimal additional set-up costs, since "charterline" could already handle the calls expected from the whole country at the current low level of usage. In a change of tack, the Cabinet Office is asking publishers of directories distributed to homes in the UK to include information about the Citizen's

Charter and contact details for individual services.

Thomson Directories, which distributes 135 directories containing telephone numbers and other local information, will include details of government agency helplines for organisations such as the Benefits Agency and the health service.

Talks are under way with BT about including similar information in its telephone directories. The new postcodes directories planned by Royal Mail will include details of public services and local helplines.

A poll carried out for the Cabinet Office last year found that 92 per cent of those asked wanted a telephone helpline to be introduced. A survey of users in the pilot area found that 85 per cent of callers approved of the service and 88 per cent used the information they were given.

But an evaluation of the pilot by consultants from Price Waterhouse, the accountants, found that awareness of the charterline was low.

The service was publicised only through posters, leaflets and local radio. Plans to use television advertising were shelved.

Rising call volumes would make the service cost-effective, according to the consultants. However, the Treasury balked at spending more on advertising at a time of cuts in public expenditure. Charterline has incurred set-up costs of £1.3m and running costs of £1.1m.

## Curbs on night flights attacked

By Jenny Luesby

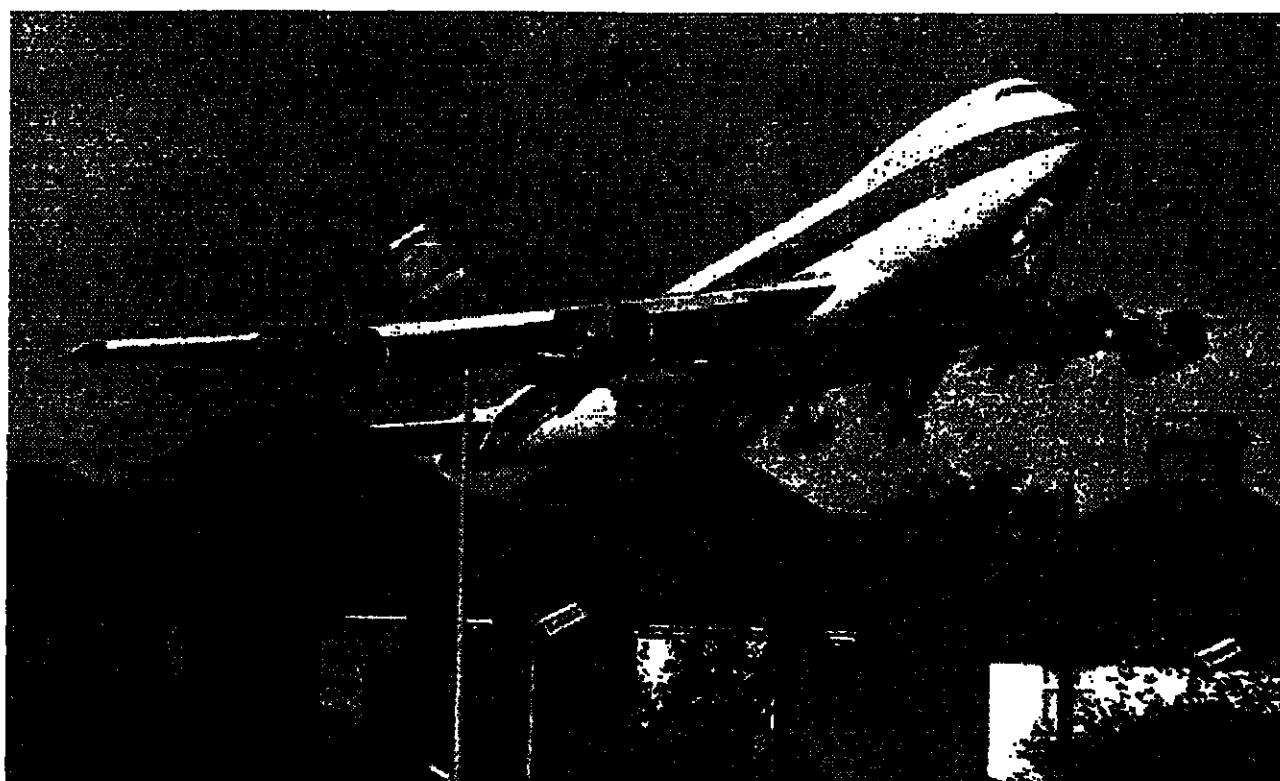
Night flying restrictions for London aimed at reducing noise levels while allowing more flights were announced yesterday by Mr John MacGregor, transport secretary.

Mr MacGregor said in a written Commons answer that quotas on noise levels together with higher limits on the number of night flights - as proposed last November - would apply for four years from October 24.

Anti-noise campaigners reacted angrily to the news, with Mr John Boulton of the Heathrow Association for the Containment of Air Noise (Hacan) describing the limits as "disastrous".

"The sleep of up to 1m people in west London is being disturbed night after night, and yet the government just steamrolls through with this bad news," he said.

The government's initial proposal to abandon limits on the number of take-offs and landings at Gatwick and Heathrow in favour of noise



A Boeing 747 soars over west London rooftops as it leaves Heathrow. New limits on noise and numbers will start in November

quotas was overturned by the High Court. The court ruled that the noise quota was outside Mr MacGregor's powers under the 1982 Civil Aviation Act to curb noise.

The noise quota was based on a points system, but the government judged some aircraft so quiet that they could not be counted. Five councils in Surrey, Berkshire and London argued in the High

Court that this could mean a rise in night flights from 5,750 a year to some 24,000.

The government responded to the High Court ruling by reintroducing a limit on the number of flights. It also reclassified aircraft so that even the quietest would count as 0.5 of a point towards the parallel noise quota.

The transport department yesterday described the new

system as "providing a double safeguard for residents while also acting as an incentive to airlines to use quieter aircraft".

In an effort to satisfy airlines' demands for extra capacity, the government has also reduced the hours of night restrictions by 30 minutes so that they will run from 2330 until 0600.

It has also raised the noise

quotas for Gatwick and Stansted and has boosted flight limits at Heathrow and Gatwick from their 1993 levels. All of these changes, confirmed yesterday, were proposed in November.

Airlines have since lobbied for further rises in the limits and quotas and were yesterday disappointed at the government's decision to stick with last year's proposals.

## Merged chamber appoints chief

By Chris Tighe

A manufacturer specialising in cable communications was named yesterday as the chief executive designate of the new North East Chamber of Commerce. Merger of the Tyne and Wear, Teesside and Tyneside chambers has created one of the five largest chambers in the UK.

Mr Bill Bates, selected for the £50,000-a-year post from more than 100 applicants, is managing director of Teesside-based Integral, the European arm of the American-owned South Wire Company.

Mr Bates said yesterday he wanted the chamber to give north-east England's business community an authoritative voice in speaking to local authorities, central government and the European Union.

He identified as recurrent business problems red tape and form filling, late payment and the cost of money.

The new Chamber, to be headquartered in Durham City, will come into operation next January. Mr Bates will take up his new post by this July.

## Postcode directory to go to businesses

By John Willman

A bulky new directory is soon to join BT's phone books, Yellow Pages, Thomson's directories and trade association year books on business bookshelves.

Royal Mail, the letters division of the Post Office, plans to distribute free postcode directories to 2m businesses in the UK.

Regional Postal Address Books will list the correct postal address and postcode for business and residential addresses in each of 11 regions. The directory will not include the names of householders, but will list business names of offices, factories, shops and banks.

Its purpose is to improve the use of postcodes in business mailings to speed up sorting and distribution. A quarter of all mail is currently incorrectly addressed, with government departments and local authorities more likely than average to omit the correct postcode.

The directories will be financed by advertising revenue and sales of other regional volumes where required. They may eventually be distributed more widely to homes, according to Mr Peter Howarth, managing director of Royal Mail.

Distribution is due to begin in September and will be completed by March next year.

## Lawyer to probe union ballot

By Richard Donkin,  
Labour Staff

The CPSA civil servants' union is to appoint an independent lawyer to investigate balloting irregularities that have forced a £100,000 repeat of its presidential election.

A re-run of the vote among the union's 131,000 members was ordered by the High Court when Mr Alan England, a defence ministry branch official in Harrogate, challenged his omission from the list of candidates in the ballot.

Mr England discovered that his name had been obliterated with typewriter correction fluid from presidential nomination forms.

The CPSA leadership said yesterday it was concerned about the circumstances in which Mr England, who had been a member of the union for five months, had earlier sought executive office in the NUCPS higher-grade civil servants' union. Membership of more than one union is allowed under recent employment legislation.

Both unions said Mr England had described himself in an NUCPS national executive ballot as a member of a black racial group. The union's rules allow for the election of black members with a much lower number of votes than those for other candidates.

## Customs warns on data access

By John Mason,  
Law Courts Correspondent

Prosecuting agencies must be given increased access to highly sensitive documents held by other government departments, Mr Sandy Russell, deputy chairman of Customs & Excise, warned yesterday.

Giving evidence to the Scott inquiry into sales of defence equipment to Iraq, Mr Russell said the Matrix Churchill trial had been a catalyst for improving the ability of investigators to see such material. However, he warned that the nature of the "government machine" meant further efforts to improve access were still urgently required.

Mr Russell said retrieving documents for the Matrix Churchill trial from different government departments had proved immensely difficult. Even investigators with security clearance to read sensitive documents found the rules on access very tight. He agreed

with Lord Justice Scott that Customs needed good access to sensitive papers to prevent breaches of the law and to enable both prosecutors and defendants to present their cases properly.

Earlier, Mr Russell told the inquiry how Customs had been reluctant to abandon its prosecutions of two businessmen over the "supergun" affair when UK engineering firms made parts of a large gun destined for Iraq.

Although lawyers had advised that the prosecution would probably be rejected by a jury, Customs officials sought further clarification from Sir Patrick Mayhew, then attorney-general. Customs felt that failure to prosecute would be a heavy blow to effective enforcement of export regulations while the "supergun" affair had also caused considerable public concern.

The prosecution was abandoned only after Sir Patrick told Customs its evidence was clearly inadequate, he said.

## Extracts from the Chairman's speech at the 1994 Annual General Meeting on 6th May

"We have made a strong start to the year, with pre-tax profit up by 20 per cent in the first quarter. Both tobacco and financial services have performed encouragingly but one quarter doesn't make a whole year.

In particular, I should like to remind shareholders that last year's results for tobacco were somewhat flattered, from the second quarter onwards, by the £138 million benefit to pre-tax profit from the exchange of brands.

Moreover, although cigarette exports saw a welcome resumption of growth in the first quarter, we have seen, in the recent past, how these can be volatile, while conditions in the US domestic market remain highly competitive. We are unlikely to receive much benefit from the acquisition of American Tobacco until 1995, because of the time we expect the anti-trust review to take.

In financial services, the picture looks clearer, thanks to the extent to which our businesses are protected from the underwriting cycle. There are clear signs that the sorry chapter of Eagle Star's losses from domestic mortgage indemnity policies and discontinued lines of financial insurance is now drawing to a close but experience has taught us to be only cautiously optimistic.

For the year as a whole, I expect there to be a worthwhile increase in B.A.T Industries' pre-tax profit. This continued growth, together with the strength of our balance sheet and our consistent ability to generate cash, should, once again, enable us to reward our shareholders with a significant real increase in the dividend."

SIR PATRICK SHEEHY, CHAIRMAN



# Major vows to fight rightwing challenge

By Kevin Brown,  
Political Correspondent

The Conservative party braced itself yesterday for a damaging leadership battle after Mr John Major warned that he would fight a threatened challenge from the right.

Tired but defiant in the face of disastrous council results, Mr Major said he would be "standing there waiting" if dissident MPs tried to force him from Downing Street.

A challenge appeared almost certain after Mr John Carlisle, the rightwing MP for Luton North, said he would "reluctantly" stand against Mr Major if no-one else did.

Mr Carlisle's comments - the first public threat to force a leadership election - prompted outrage in his constituency, where two senior officials immediately resigned.

"If he wants to make a fool of himself, let him," said Mr Joe O'Neill, chairman of Luton North constituency association. "We want nothing to do with it."

However, rightwing MPs said they were certain that at least 34 Conservative MPs - the minimum required - were ready to call for a leadership election in the autumn. "Nothing is going to happen until after the European elections in June, but we have got the critical mass

and we will force an election," a leading rightwinger said.

Mr Tony Marlow, who last month urged Mr Major to stand down, said the prime minister's "credibility and authority are not going to be restored until there is a contest".

Other rightwingers saw the poor election results as an opportunity for the right to increase its influence over the prime minister, particularly on European issues.

Sir George Gerdner, chairman of the 52 Group of rightwing MPs, said the prime minister deserved the support of rightwingers, but called for a more sceptical approach to Europe. The three ministers likely to emerge as leading candidates in any

"radical" reshuffle before the elections to "cut out the dead wood" and increase the number of rightwingers in the cabinet.

Several rightwingers said there was "no point" in trying to dislodge Mr Major because the only credible alternative candidates - Mr Kenneth Clarke and Mr Michael Heseltine - were on the pro-European left of the party.

Mr Bernard Jenkin, the rightwing MP for Colchester North, said the prime minister deserved the support of rightwingers, but called for a more sceptical approach to Europe. The three ministers likely to emerge as leading candidates in any

leadership election all rallied to the prime minister's support.

Mr Heseltine, trade and industry secretary, said Mr Carlisle's threat to stand against Mr Major was "deplorable". Mr Kenneth Clarke, chancellor, warned against treating Mr Major as a "scapegoat".

Mr Michael Portillo, Treasury chief secretary, and the leading rightwinger in the cabinet, said the prime minister had his full support.

"I think the attitude of the parliamentary party will be to row in behind the leader and to show the unity we feel and our wish that we should be allowed to finish the job," he said.

Mr Major put part of the blame for the "poor" election results onto the rightwing MPs who have been sniping at his leadership since last year's debate on the Maastricht treaty.

Admitting that Tory voters had abstained because of the government's unpopularity, Mr Major said Conservative supporters were "distressed when they see discordancy in the party".

Mr Major said voters had not forgiven the government for "the bruises from the recession". He said the increasing bureaucracy of the economy had not yet "rippled through to people in the high street and in their own homes".

## Labour demands talks on London

By John Authers

Labour yesterday woke up to sweeping new opportunities to co-ordinate policy across London.

For the first time since the abolition of the Greater London Council in 1986, the party has overall control of a majority of the London boroughs - 17 out of 32.

This will allow it to chair all the joint co-ordinating committees formed in the wake of the GLC's abolition. These control fire, civil defence, planning advice to government (although not planning itself), grants to voluntary organisations, research (mainly into the environment), and concessionary fares for pensioners, along with some transport functions such as parking, and the committee to ban lorries.

Mr Toby Harris, leader of Haringey borough council, where Labour gained 14 seats from the Conservatives, and of the Labour-controlled Association of London Authorities, signalled that the party's ambitions go beyond this. It wants to concentrate on urban regeneration and partnerships with the private sector, rather than the confrontational politics for which the old GLC is now remembered.

He said it was seeking an immediate meeting with Mr John Gummer, the environment secretary, to discuss a new initiative for the future of the city - establishing a "Regeneration Partnership for London".

He added: "Based upon a partnership between central government, the London boroughs and the private sector, this new initiative will harness public and private sector resources and will require proper direction."

Labour also intends to use its extra strength to lobby for more European funds, and to try to end the division of London authorities into two representative associations.

The ALA was intended when the GLC was abolished to provide an easy vehicle for re-establishing a London-wide authority once Labour was returned to government. This remains a central Labour aim, as Mr Harris stated yesterday. All its members are Labour-controlled, and the organisation concentrates on campaigning.

It broke away from the London Boroughs Association, whose remaining members are predominantly Conservative, and the two organisations have lobbied in different directions, weakening attempts to create a cohesive "London voice". The ALA claimed that several councils had already contacted it yesterday, asking to join, while the LBA was non-committal about its future.

Labour cannot wield as much power as it did by controlling the GLC. Several joint committees, including the grants committee for voluntary organisations, require a two-thirds majority to agree a new budget. Also, several GLC functions, such as transport, have been removed from local government.

## Scottish Tories in fourth place

By James Buxton, Chris Tighe and Paul Chesselright

Scottish Conservatives were yesterday gloomily contemplating the fact that Scottish politics seem to afford them almost infinite space to drop into, after they finished in fourth place in the regional council elections in terms of seats.

By contrast the Scottish National party, in second place, was celebrating its best local election result, getting near the 50 per cent share of the vote at which it could make big gains in a general election. The Liberal Democrats in third place also claimed their greatest success. Labour, easily the biggest party, was well content.

The Scottish Conservatives had not entered the regional elections with high ambitions, controlling none of the nine regions, but they at least hoped to hold on to the 52 seats they won in 1990. In the event, they lost about 20 seats. They performed especially badly in Lothian, a region they controlled in the early 1980s, losing seven seats and ending with only five.

Their share of the vote dropped from 19 per cent to 14 per cent, exactly mirroring a pre-election opinion poll. Yesterday Mr Ian Lang, Scottish secretary, claimed that many Tory supporters had stayed at home and said the party's Scottish performance was similar to that in England and Wales, reflecting general discontent with the government.

The result is particularly painful because the party meets in Inverness next week for its annual conference, which closes on Friday with a speech by Mr John Major.

Mr Alex Salmond, SNP leader, yesterday called his party the big winner of the elections. It won a record 27 per cent of the vote, doubled its number of seats to 73, came within one seat of taking control from Labour of Tayside region; and became the second-biggest party in Grampian after the Liberal Democrats.

The Liberal Democrats won 51 seats, a net gain of 20, gaining seats from all the other parties and taking 11 per cent of the vote. Mr Jim Wallace, leader of the Scottish Liberal Democrats, said the results were "easily the best" his party had had in Scotland.

Labour lost about five seats but still has more than all the other parties combined. It took 42 per cent of the vote and its grip on Strathclyde, Lothian, Fife and Central regions remains unshakable.

The outcome of the elections in northern England and the west Midlands, though poor for the Tories, did not match the disaster in Scotland.

In Cumbria Labour wrested control from them of Barrow-in-Furness, and the Liberal Democrats won enough seats in South Lakeland to make them the biggest party on the council for the first time since its creation in 1974.

The west Midlands saw Conservative hopes thwarted in Birmingham, Dudley, Solihull, Walsall, Shrewsbury & Atcham and Stratford-on-Avon where they either felt their grip loosened or failed to win. Only in Wolverhampton was there a decisive move with Labour regaining control after a Conservative-Liberal Democrat interregnum.

## Council leaders blame ministers for heavy losses

By James Blitz

Defeated Tory council leaders yesterday cast aside their loyalty to the Conservative leadership and blamed ministers for the party's disastrous performance in the local elections.

Outgoing council leaders claimed that cabinet disunity had badly dented their local support. One said that the strong reputation of his council had been undermined by an "appalling" campaign from Conservative Central Office, which failed to emphasise that the election should be on local issues.

Mr Donald Abbott, the outgoing Tory leader of Harrow council, said Mr John Major's poor leadership was the principal reason why the Tories had lost control of the borough for the first time in 21 years.

"There is a grave danger that John Major is becoming an electoral liability," he said. "If you are going to be the leader, you must be seen and recognised as the leader. The prime minister should have put an end to cabinet disunity, but it is probably too late now."

Mr Ronnie Bardon, whose Tory group's loss the north London borough of Redbridge saw it pass out of Tory hands for the first time, also claimed

that Mr Major's public image had been a "hindrance". But he blamed Mr Michael Portillo, the cabinet minister in charge of the London campaign, for making mistakes.

"Michael Portillo's original message was that it was better for the government to stay out of the London campaign," he said. "But then they didn't stick to that message, and ministers started to get involved. That just wasn't helpful to us."

Even in Brent, where Conservatives retained a narrow hold on the council, there was criticism of the way Tory managers had run the elections.

"There simply was no campaign from Michael Portillo or from Central Office," said Mr Leslie Winters, who helped to mastermind the local Tory campaign.

Mr Paul Cloakie, whose Tory group was resoundingly beaten by the Liberal Democrats in Kingston upon Thames, said government failure to stop overcrowding in schools had brought about his defeat.

"John Patten lost it for us in Kingston," he said, accusing the education secretary of failing to reverse rules which allow children from neighbouring boroughs to attend Kingston's highly successful schools.



Gloves off: the three main party leaders, Paddy Ashdown of the Liberal Democrats (left), John Smith of Labour (top) and John Major of the Tories, yesterday face up to the voters' verdict in the council elections. Photographs: Trevor Humphries

## Ashdown's army advances outside its heartlands

By Roland Rudd

If it was difficult for Conservative Central Office to dismiss the view of one backbencher that the government suffered its "nightmare scenario" in the local elections, it was harder to work out who was the clear winner.

Both Mr John Smith, Labour leader, and Mr Paddy Ashdown, leader of the Liberal Democrats, claimed that mantle. Labour saw its share of the vote rise to 42 per cent from 40 per cent while the Liberal Democrats increased their vote from 18 per cent to 27 per cent.

The last local elections took place four years ago. Mr Smith dismissed suggestions that there had been significant tactical voting. "Apart from a bit here and bit there there was not much," he said.

As the Liberal Democrats took control of Eastleigh council - taking two seats from Labour - Mr Smith's comments on the relative absence of tactical voting might suggest that he should now run up the white flag in the Eastleigh by-election.

But the Labour leader said he would do no such thing, promising to redouble the party's efforts to win the parliamentary contest.

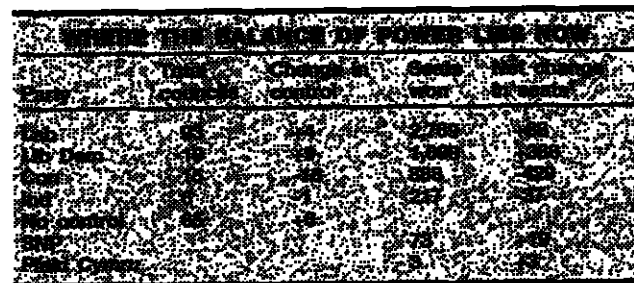
Professor Anthony King, professor of government at the University of Essex, says the lack of tactical voting was one of the more interesting features of the elections.

He argues that the trend in national and local elections over the past 10 years has been the establishment of two zones: Labour versus Conservative in the inner cities and in northern England while Liberal Democrats battle with Conservatives in the suburbs and south.

Democracy gained 14 seats while Labour lost four, says Professor King.

Mr David Butler, a fellow of Nuffield College, Oxford, says the key point arising from the elections is how the Liberal Democrats won a triumph - "no matter how small" - in almost all the councils.

Mr Ashdown claims to have taken on, and in many significant areas defeated, "municipal socialism" in Sheffield, Liverpool and Southwark.



How then does one explain the result in Sheffield, where Labour lost eight council seats to the Liberal Democrats, or Bromley where the Liberal

Democrats gained 14 seats while Labour lost four, says Professor King.

Mr Ashdown claims to have taken on, and in many significant areas defeated, "municipal socialism" in Sheffield, Liverpool and Southwark.

Mr Butler believes many defecting Labour voters may return to the fold in the general election.

It was perhaps the forgotten parliamentary by-election at Rotherham that underlines the argument that tactical voting played only a small part in the elections.

Labour, which easily held the seat, polled its second-worst share of the vote in more than 30 years. Mr Denis MacShane, the Labour candidate, saw his majority fall by more than 8 percentage points from 63.9 per cent to 55.6 per cent.

In contrast the Liberal Democrats made significant headway, pushing into second place with 28.7 per cent of the vote, against 12.3 per cent two years ago.

Mr Ashdown's claim to be an established party of government and the main challenger to both "old parties" in their

heartlands" is borne out by the results. In scores of councils the Liberal Democrats are no longer the "third party", but one of three parties.

Tower Hamlets appears to be the exception. The Liberal Democrats lost 22 seats, the biggest single defeat for any party in any council in England. Labour declared that they had "trounced" their competitor in the only straight fight between Labour and Liberal Democrats.

But Mr Ashdown's explanation that his party has paid the price for "the ill-judged actions" of two or three of his activists was nearer the truth.

Similarly, Labour's loss of Lambeth had more to do with the behaviour of leftwing councillors expelled from the Labour party as the council was accused of more than £20m of unlawful expenditure by the district auditor.

## Hurd seeks to unite party in time for Euro-elections

By David Owen and Roland Asburnham

The European Union must find ways for member states to be comfortable about their European identity without feeling that their national interests are being undermined, Mr Douglas Hurd said yesterday.

The foreign secretary used a speech in Warsaw to try to stake out common Conservative ground ahead of next month's European elections, in which the party hopes to avoid a second humiliation.

Addressing the Polish parliament, Mr Hurd spoke of a "strong Europe of self-confident nation states" and said that a "multi-speed, multi-track, even multi-faceted Europe" was taking shape.

Sir Leon Brittan, the UK's senior European commissioner, has entered the Tory factional fight over Europe by attacking the "industrial carter" of the Maastricht treaty put forward by Conservative Europhiles, David Gardner in Brussels writes.

"Scaremongers would have us believe Britain has set itself up as its more experienced European neighbours are twisting the European Union into an opaque and centralist bureaucracy, undermining the principles most cherished by the British. Don't believe it," Sir Leon says in a speech today.

The speech in Stockholm on Tues in support of Mr Robert Goodwill, Tory candidate for the European parliament from

local elections is that this could well be a tall order. The Conservatives' 27 per cent share of the vote on Thursday night was only the same as that obtained by the Liberal Democrats, and is far below the 34.7 per cent they secured in the 1989 European elections.

To make matters worse, the local electorate showed a tendency to vote for the candidates who appeared to stand the best chance of kicking - or keeping - the Tories out.

If this inclination is repeated next month, it could be decisive in the crucial battle in the Conservative heartland of southern England, where the party is fighting tooth and nail to stop a widely predicted Liberal Democrat surge in the south-west from spreading east to the Cotswolds, Hampshire

and beyond. Early projections suggest the Liberal Democrats may have taken as much as 40 per cent of Thursday night's vote in southern England excluding London.

It would now require a remarkable reversal of fortunes to prevent Tory-held European seats in Cornwall, Devon, Somerset and Dorset from falling.

But if anything, results further east - where the Liberal Democrats swept to victories in Bath, Eastleigh and Winchester, gained seats in Stroud and Portsmouth, held Cheltenham with ease and frustrated Labour's expectations of winning control of Gloucester - will have been more disquieting for the Conservatives.

The Liberal Democrats can now have realistic hopes of breaking out of the south-west into the neighbouring counties of Gloucestershire, Wiltshire and Hampshire.

The Liberal Democrats believe several gains are possible on swings of 10 per cent or less.

Further east again, the Liberal Democrats won control of councils such as Mole Valley, St Albans and Worthing,

deprived the Tories of control in true-blue Tunbridge Wells and made sweeping gains in the London suburb of Bromley.

This suggests they could be a force to be reckoned with next month even in the Home Counties, where the party estimates it needs a swing of about 12 per cent before it begins to make headway.

Tory strategists will also be noting nervously that the Greens, who in their brief spell in the electoral limelight five years ago, took a quarter of the vote in Sussex West and 23 per cent in both Cotswolds and Hereford & Worcester.

Precious little of that surprisingly heavy environmental protest vote is likely to come the Conservatives' way five years later.

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Labour demands talks on London

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RESULTS

GREATER LONDON

BARKING & DAGENHAM  
Lab No change  
New Council: Lab 47, R 3, LD 1

BARNET  
C loss to NOC  
NOC C loss 10, Lab gain 7, LD gain 3  
New Council: C 28, Lab 25, LD 8

BEXLEY  
C loss to NOC  
NOC C loss 10, Lab gain 5, LD gain 5  
New Council: C 24, Lab 24, LD 14

BRENT  
NOC No change  
Lab gain 5, LD loss 2, Ind loss 3  
New Council: C 33, Lab 28, LD 5

BROMLEY  
C No change  
C loss 10, LD gain 14, Lab loss 4  
New Council: C 32, LD 21, Lab 7

CAMDEN  
Lab No change  
Lab gain 5, C loss 8, LD gain 3  
New Council: Lab 47, C 7, LD 5

CROYDON  
Lab gain from C  
Lab gain 10, C loss 10  
New Council: Lab 40, C 30

EALING  
Lab gain from C  
Lab gain 48, C 20, LD 8

ENFIELD  
Lab gain from C  
Lab gain 10, C loss 10  
New Council: Lab 41, C 25

GREENWICH  
Lab No change  
Lab gain 5, C loss 4, LD gain 1  
Ind loss 2  
New Council: Lab 42, C 8, Soc Dem 4, LD 3

HACKNEY  
Lab No change  
Lab gain 2, LD gain 3, C loss 2  
Ind loss 5  
New Council: Lab 44, LD 10, C 8

HAMMERSMITH & FULHAM  
Lab No change  
Lab gain 6, C loss 7, LD gain 1  
New Council: Lab 34, C 15, LD 1

HARINGEY  
Lab No change  
Lab gain 14, C loss 14  
New Council: Lab 37, C 2

HARROW  
C loss to NOC  
NOC LD gain 16, C loss 17, Lab gain 1  
New Council: LD 28, C 17, Lab 14, R 5

HAVERING  
NOC No change  
Lab gain 4, R gain 4, C loss 8, LD loss 1  
New Council: Lab 31, R 17, C 11, LD 4

HILLINGDON  
Lab No change  
Lab gain 10, C loss 10  
New Council: Lab 45, C 24

HOUNSLOW  
Lab No change  
Lab gain 6, C loss 9, LD gain 3  
New Council: Lab 48, C 16, LD 5

ISLINGTON  
Lab No change  
Lab loss 8, LD gain 5  
New Council: Lab 38, LD 12, C 1

KEESINGTON & CHELSEA  
C No change  
Lab gain 1, C loss 1  
New Council: Lab 39, Lab 15

KINGSTON-UPON-THAMES  
LD gain from NOC  
LD gain 8, C loss 7, Green loss 1  
New Council: LD 28, C 18, Lab 6

LAMBETH  
NOC No change  
Lab loss 2, LD gain 15, C loss 2, Others loss 11  
New Council: Lab 24, LD 24, C 18

LEWISHAM  
Lab No change  
Lab gain 5, C loss 5  
New Council: Lab 33, LD 3, C 1

MERTON  
Lab No change  
Lab gain 11, C loss 12, R loss 2, LD gain 3  
New Council: Lab 40, C 10, R 3, LD 3, Others 1

NEWHAM  
Lab No change  
Lab gain 6, LD loss 1, C loss 4, Ind loss 1  
New Council: Lab 39, LD 1

REDBRIDGE  
C loss to NOC  
NOC Lab loss 2, LD gain 3, Ind loss 1  
New Council: Lab 28, C 24, LD 9

RICHMOND-UPON-THAMES  
LD No change  
LD loss 8, C gain 4, Lab gain 2  
New Council: Lab 37, C 16, LD 2

SOUTHAMPTON  
C No change  
C loss 3, Lab gain 3  
New Council: C 45, Lab 15

WESTMINSTER  
C No change  
C loss 3, Lab gain 3  
New Council: C 45, Lab 15

GREATER MANCHESTER

BOLTON  
Lab No change  
Lab 14, C 2, LD 3  
Lab loss 1, C loss 1, LD gain 2  
New Council: Lab 37, C 15, LD 5, Vac 1, Others 1

BURY  
NOC No change  
Lab 14, C 2, LD 1  
C loss 1, LD gain 1  
New Council: Lab 34, C 21, LD 5

ROTHAM  
Lab No change  
Lab 21, C 1  
New Council: Lab 35, C 3

SHEFFIELD  
Lab No change  
Lab 20, LD 12  
Lab loss 8, LD gain 11, C loss 3  
New Council: Lab 37, LD 22, C 8

WAKEFIELD  
Lab No change  
Lab 20, C 1  
Lab gain 1, C loss 1  
New Council: Lab 35, C 5, Ind 2

WEST YORKSHIRE

BRADFORD  
Lab No change  
Lab 23, C 5, LD 2  
Lab gain 1, C loss 3, LD gain 2  
New Council: Lab 31, C 35, LD 4

CALDERDALE  
NOC No change  
C 5, Lab 11, LD 3, Ind 1  
C loss 1, Ind gain 1  
New Council: C 23, Lab 22, LD 7, Ind 2

KIRKLEES  
Lab loss to NOC  
NOC Lab loss 14, C 7, LD 3  
Lab loss 6, C gain 3, LD gain 5, Ind loss 2  
New Council: Lab 35, C 21, LD 15, Ind 1

LEEDS  
Lab No change  
Lab 27, C 4, LD 3  
New Council: Lab 37, C 23, LD 5, Ind 1

WALSLEY  
Lab No change  
Lab 21, Ind 1  
Lab loss 1, Ind gain 1  
New Council: Lab 32, C 2, R 1, Ind 1

DONCASTER  
Lab No change  
Lab 21, C 2  
New Council: Lab 34, C 8

ROTHAM  
Lab No change  
Lab 21, C 1  
New Council: Lab 35, C 3

SHEFFIELD  
Lab No change  
Lab 20, LD 12  
Lab loss 8, LD gain 11, C loss 3  
New Council: Lab 37, LD 22, C 8

WAKEFIELD  
Lab No change  
Lab 20, C 1  
Lab gain 1, C loss 1  
New Council: Lab 35, C 5, Ind 2

WEST YORKSHIRE

BRADFORD  
Lab No change  
Lab 23, C 5, LD 2  
Lab gain 1, C loss 3, LD gain 2  
New Council: Lab 31, C 35, LD 4

CALDERDALE  
NOC No change  
C 5, Lab 11, LD 3, Ind 1  
C loss 1, Ind gain 1  
New Council: C 23, Lab 22, LD 7, Ind 2

KIRKLEES  
Lab loss to NOC  
NOC Lab loss 14, C 7, LD 3  
Lab loss 6, C gain 3, LD gain 5, Ind loss 2  
New Council: Lab 35, C 21, LD 15, Ind 1

LEEDS  
Lab No change  
Lab 27, C 4, LD 3  
New Council: Lab 37, C 23, LD 5, Ind 1

WALSLEY  
Lab No change  
Lab 21, Ind 1  
Lab loss 1, Ind gain 1  
New Council: Lab 32, C 2, R 1, Ind 1

DONCASTER  
Lab No change  
Lab 21, C 2  
New Council: Lab 34, C 8

ROTHAM  
Lab No change  
Lab 21, C 1  
New Council: Lab 35, C 3

SHEFFIELD  
Lab No change  
Lab 20, LD 12  
Lab loss 8, LD gain 11, C loss 3  
New Council: Lab 37, LD 22, C 8

MANCHESTER

Lab No change  
Lab 28, LD 5  
LD gain 2, C loss 1, Ind loss 1  
New Council: Lab 28, LD 16, C 4, Ind 1

OLDHAM  
Lab loss to NOC  
NOC Lab 11, LD 8  
Lab loss 3, LD gain 4, Ind loss 1  
New Council: Lab 28, LD 23, C 7, Ind 1

ROCHDALE  
NOC No change  
Lab 11, LD 7, C 3  
Lab loss 1, LD gain 2, C loss 1  
New Council: Lab 22, LD 23, C 14, Ind 1

SALFORD  
Lab No change  
Lab 18, LD 1  
C loss 1, LD gain 1  
New Council: Lab 34, C 5, LD 1

STOCKPORT  
NOC No change  
Lab 13, Lab 8, R 1  
LD gain 4, C loss 4  
New Council: Lab 30, Lab 17, C 13, R 3

TAMESIDE  
Lab No change  
Lab 20  
Lab gain 1, Others loss 1  
New Council: Lab 48, C 8, Others 1

TRAFFORD  
C No change  
C 8, Lab 11, LD 2  
C loss 2, Lab gain 1, LD gain 1  
New Council: C 35, Lab 23, LD 5

WIGAN  
Lab No change  
Lab 23, LD 1  
New Council: Lab 34, LD 5, C 2, Ind 1

WEST MIDLANDS

BIRMINGHAM  
Lab No change  
Lab gain 5, C loss 4, LD gain 1, Ind loss 2  
New Council: Lab 42, C 8, Soc Dem 4, LD 3

COVENTRY  
Lab No change  
Lab gain 2, LD gain 3, C loss 2, Ind loss 5  
New Council: Lab 44, LD 10, C 8

DUDLEY  
Lab No change  
Lab gain 6, C loss 7, LD gain 1  
Lab gain 1, C loss 2, LD gain 1  
New Council: Lab 36, C 23, LD 1

SANDWELL  
Lab No change  
Lab gain 14, C loss 14  
New Council: Lab 37, C 2

HARROW  
C loss to NOC  
NOC LD gain 16, C loss 17, Lab gain 1  
New Council: LD 28, C 17, Lab 14, R 5

HAVERING  
NOC No change  
Lab gain 4, R gain 4, C loss 8, LD loss 1  
New Council: Lab 31, R 17, C 11, LD 4

HILLINGDON  
Lab No change  
Lab gain 10, C loss 10  
New Council: Lab 45, C 24

HOUNSLOW  
Lab No change  
Lab gain 6, C loss 9, LD gain 3  
New Council: Lab 48, C 16, LD 5

ISLINGTON  
Lab No change  
Lab loss 8, LD gain 5  
New Council: Lab 38, LD 12, C 1

KEESINGTON & CHELSEA  
C No change  
Lab gain 1, C loss 1  
New Council: Lab 39, Lab 15

KINGSTON-UPON-THAMES  
LD gain from NOC  
LD gain 8, C loss 7, Green loss 1  
New Council: LD 28, C 18, Lab 6

LAMBETH  
NOC No change  
Lab loss 2, LD gain 15, C loss 2, Others loss 11  
New Council: Lab 24, LD 24, C 18

LEWISHAM  
Lab No change  
Lab gain 5, C loss 5  
New Council: Lab 33, LD 3, C 1

MERTON  
Lab No change  
Lab gain 11, C loss 12, R loss 2, LD gain 3  
New Council: Lab 40, C 10, R 3, LD 3, Others 1

NEWHAM  
Lab No change  
Lab gain 6, LD loss 1, C loss 4, Ind loss 1  
New Council: Lab 39, LD 1

REDBRIDGE  
C loss to NOC  
NOC Lab loss 2, LD gain 3, Ind loss 1  
New Council: Lab 28, C 24, LD 9

RICHMOND-UPON-THAMES  
LD No change  
LD loss 8, C gain 4, Lab gain 2  
New Council: Lab 37, C 16, LD 2

SOUTHAMPTON  
C No change  
C loss 3, Lab gain 3  
New Council: C 45, Lab 15

WESTMINSTER  
C No change  
C loss 3, Lab gain 3  
New Council: C 45, Lab 15

GREATER MANCHESTER

BOLTON  
Lab No change  
Lab 14, C 2, LD 3  
Lab loss 1, C loss 1, LD gain 2  
New Council: Lab 37, C 15, LD 5, Vac 1, Others 1

BURY  
NOC No change  
Lab 14, C 2, LD 1  
C loss 1, LD gain 1  
New Council: Lab 34, C 21, LD 5

ROTHAM  
Lab No change  
Lab 21, C 1  
New Council: Lab 35, C 3

SHEFFIELD  
Lab No change  
Lab 20, LD 12  
Lab loss 8, LD gain 11, C loss 3  
New Council: Lab 37, LD 22, C 8

WAKEFIELD  
Lab No change  
Lab 20, C 1  
Lab gain 1, C loss 1  
New Council: Lab 35, C 5, Ind 2

WEST YORKSHIRE

BRADFORD  
Lab No change  
Lab 23, C 5, LD 2  
Lab gain 1, C loss 3, LD gain 2  
New Council: Lab 31, C 35, LD 4

CALDERDALE  
NOC No change  
C 5, Lab 11, LD 3, Ind 1  
C loss 1, Ind gain 1  
New Council: C 23, Lab 22, LD 7, Ind 2

KIRKLEES  
Lab loss to NOC  
NOC Lab loss 14, C 7, LD 3  
Lab loss 6, C gain 3, LD gain 5, Ind loss 2  
New Council: Lab 35, C 21, LD 15, Ind 1

LEEDS  
Lab No change  
Lab 27, C 4, LD 3  
New Council: Lab 37, C 23, LD 5, Ind 1

WALSLEY  
Lab No change  
Lab 21, Ind 1  
Lab loss 1, Ind gain 1  
New Council: Lab 32, C 2, R 1, Ind 1

DONCASTER  
Lab No change  
Lab 21, C 2  
New Council: Lab 34, C 8

ROTHAM  
Lab No change  
Lab 21, C 1  
New Council: Lab 35, C 3

SHEFFIELD  
Lab No change  
Lab 20, LD 12  
Lab loss 8, LD gain 11, C loss 3  
New Council: Lab 37, LD 22, C 8

WAKEFIELD  
Lab No change  
Lab 20, C 1  
Lab gain 1, C loss 1  
New Council: Lab 35, C 5, Ind 2

WEST YORKSHIRE

BRADFORD  
Lab No change  
Lab 23, C 5, LD 2  
Lab gain 1, C loss 3, LD gain 2  
New Council: Lab 31, C 35, LD 4

CALDERDALE  
NOC No change  
C 5, Lab 11, LD 3, Ind 1  
C loss 1, Ind gain 1  
New Council: C 23, Lab 22, LD 7, Ind 2

KIRKLEES  
Lab loss to NOC  
NOC Lab loss 14, C 7, LD 3  
Lab loss 6, C gain 3, LD gain 5, Ind loss 2  
New Council: Lab 35, C 21, LD 15, Ind 1

LEEDS  
Lab No change  
Lab 27, C 4, LD 3  
New Council: Lab 37, C 23, LD 5, Ind 1

WALSLEY  
Lab No change  
Lab 21, Ind 1  
Lab loss 1, Ind gain 1  
New Council: Lab 32, C 2, R 1, Ind 1

DONCASTER  
Lab No change  
Lab 21, C 2  
New Council: Lab 34, C 8

ROTHAM  
Lab No change  
Lab 21, C 1  
New Council: Lab 35, C 3

SHEFFIELD  
Lab No change  
Lab 20, LD 12  
Lab loss 8, LD gain 11, C loss 3  
New Council: Lab 37, LD 22, C 8

WAKEFIELD  
Lab No change  
Lab 20, C 1  
Lab gain 1, C loss 1  
New Council: Lab 35, C 5, Ind 2

WEST YORKSHIRE

NEWCASTLE-UPON-TYNE

Lab No change  
Lab 22, LD 8  
Lab loss 2, LD gain 3, C loss 1  
New Council: Lab 38, LD 14, C 5

NORTH TYNESIDE  
Lab No change  
Lab 14, C 4, LD 3  
New Council: Lab 35, C 16, LD 8

SOUTH TYNESIDE  
Lab No change  
Lab 18, LD 2  
Lab loss 1, LD gain 1  
New Council: Lab 34, LD 5, Others 1

SUNDERLAND  
Lab No change  
Lab 23, C 2, LD 1  
Lab gain 1, C loss 1  
New Council: Lab 35, C 7, LD 3

ENGLAND

ADUR  
LD No change  
LD 11, R 1, Lab 1  
LD gain 3, C loss 3  
New Council: LD 25, C 11, R 2, Lab 1

AMBER VALLEY  
Lab No change  
Lab 13, C 1  
Lab gain 2, C loss 1, Ind loss 1  
New Council: Lab 24, C 16, Ind 4

BARNOLLY  
Lab No change  
Lab 14, C 1  
Lab gain 5, C loss 4, Ind loss 1  
New Council: Lab 24, C 13, Ind 1

BASILDON  
C loss to NOC  
NOC Lab 8, LD 6  
C loss 4, LD gain 4  
New Council: C 19, Lab 13, LD 8, Others 2

BASINGSTOKE & DEANE  
C loss to NOC  
NOC C 8, LD 8, Lab 4, Ind 1  
C loss 7, LD gain 6, Ind gain 1  
New Council: C 25, LD 13, Lab 11, Ind 5

BASSETLAW  
Lab No change  
Lab 14, C 1, LD 2  
C loss 1, LD gain 1  
New Council: Lab 30, C 16, Ind 2, LD 2

BATH  
LD gain from NOC  
LD 17, C 1  
LD gain 12, C loss 7, Lab loss 5  
New Council: LD 25, C 17, Lab 2

BLACKBURN  
Lab No change  
Lab 15, C 4, LD 1  
New Council: Lab 35, C 19, LD 4, Ind 1

BRENTWOOD  
LD No change  
LD 10, C 2, Lab 1  
LD gain 2, C loss 1, Ind loss 1  
New Council: LD 25, C 12, Ind 1, Lab 1

BRIGHTON  
Lab No change  
Lab 12, C 4  
Lab gain 1, C loss 1  
New Council: Lab 27, C 21

BRISTOL  
Lab No change  
Lab 17, C 2, LD 4  
C loss 3, LD gain 3  
New Council: Lab 36, C 18, LD 9, Ind 1

BROADLAND  
C loss to NOC  
NOC C 4, LD 8, Lab 3, Ind 2  
C loss 4, LD gain 5, Lab loss 1  
New Council: C 22, LD 15, Lab 6, Ind 8

BROOKBOURNE  
Lab No change  
Lab 8, LD 3  
C loss 3, Lab gain 1, LD gain 2  
New Council: C 33, Lab 15, LD 4

BURNLEY  
Lab No change  
Lab 13, LD 3  
Lab gain 1, LD gain 2, C loss 3  
New Council: Lab 33, LD 8, C 5, Ind 1

CAMBRIDGE  
NOC No change  
Lab 7, LD 7  
Lab loss 2, LD gain 4, C loss 2  
New Council: Lab 18, LD 16, C 7

CANNOCK CHASE  
Lab No change  
Lab 14, LD 1  
Lab gain 1, C loss 1  
New Council: Lab 31, C 7, Ind 2, LD 2

CARLISLE  
Lab No change  
Lab 8, C 6, LD 1, Ind 1  
Lab loss 3, C gain 2, LD gain 1  
New Council: Lab 27, C 20, LD 3, C loss 2, Others 2

CHELTENHAM  
LD No change  
LD 13, Ind 1  
LD gain 5, C loss 2, Lab loss 1  
Ind gain 1, Others loss 1  
New Council: LD 25, C 10, Lab 2, Ind 1, Others 2

CHESTER  
NOC No change  
C 4, Lab 10, LD 6  
New Council: C 23, Lab 19, LD 16, Ind 2

CHORLEY  
NOC No change  
Lab 11, C 3, LD 3  
Lab loss 1, LD gain 2, Others loss 1  
New Council: Lab 21, C 20, LD 5, C loss 1, Others 1

COLCHESTER  
LD gain from NOC  
LD 13, C 4, Lab 3  
LD gain 4, C loss 2, Lab loss 1, R loss 1  
New Council: LD 34, C 19, Lab 6, R 1

CONGLETON  
LD gain from NOC  
LD 14, LD 1  
LD gain 7, C loss 3, Lab loss 4  
New Council: LD 27, C 13, Lab 5

CRANWORTH  
Lab No change  
Lab 10, LD 1  
C loss 1, Ind loss 1  
New Council: Lab 33, C 7, LD 2

CRUICKSHANK & NANTWICH  
Lab No change  
Lab 19, C 7, LD 1  
Lab loss 2, C gain 1, LD gain 1  
New Council: Lab 29, C 25, LD 3

DAVENTRY  
C No change  
C 4, Lab 8, Ind 2, Lab 1  
C loss 1, Lab gain 1, Ind gain 1  
New Council: C 18, Lab 12, Ind 3, Lab 1

DERBY  
Lab No change  
Lab 11, C 4, LD 1  
Lab gain 2, C loss 3, LD gain 1  
New Council: Lab 24, C 19, LD 1

NEWCASTLE-UPON-TYNE

Lab No change  
Lab 22, LD 8  
Lab loss 2, LD gain 3, C loss 1  
New Council: Lab 38, LD 14, C 5

NORTH TYNESIDE  
Lab No change  
Lab 14, C 4, LD 3  
New Council: Lab 35, C 16, LD 8

SOUTH TYNESIDE  
Lab No change  
Lab 18, LD 2  
Lab loss 1, LD gain 1  
New Council: Lab 34, LD 5, Others 1

SUNDERLAND  
Lab No change  
Lab 23, C 2, LD 1  
Lab gain 1, C loss 1  
New Council: Lab 35, C 7, LD 3

ENGLAND

ADUR  
LD No change  
LD 11, R 1, Lab 1  
LD gain 3, C loss 3  
New Council: LD 25, C 11, R 2, Lab 1

AMBER VALLEY  
Lab No change  
Lab 13, C 1  
Lab gain 2, C loss 1, Ind loss 1  
New Council: Lab 24, C 16, Ind 4

BARNOLLY  
Lab No change  
Lab 14, C 1  
Lab gain 5, C loss 4, Ind loss 1  
New Council: Lab 24, C 13, Ind 1

BASILDON  
C loss to NOC  
NOC Lab 8, LD 6  
C loss 4, LD gain 4  
New Council: C 19, Lab 13, LD 8, Others 2



## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Saturday May 7 1994

## Still in a deep hole

It is a year since Mr Kenneth Clarke confessed that the government was in a "dreadful hole". The chancellor, who was home secretary at the time, was reflecting on the dismal Conservative performance at last May's local elections. Those contests enabled the electorate to express an opinion on the rejection of sterling from the exchange rate mechanism in September 1992. Voters indicated their deep dissatisfaction with the performance of the administration that was elected in April 1992. Labour did well, but the most significant beneficiaries were the Liberal Democrats.

### Deep dissatisfaction

Following this year's local elections, all the change - from the government's point of view - is for the worse. The hole that threatens to engulf the prime minister and perhaps his party with him is deeper. On Thursday the Tories came fourth in Scotland, and third - behind the Liberal Democrats - in the rest of the country. They were trounced in and around London. Their estimated share of the total popular vote, at some 27 per cent, reflects recent opinion poll results. This is the most unpopular Conservative government in post-1945 history.

The expectation is that there are worse shocks to come. The Liberal Democrats are favourites to take Eastleigh from the Conservatives in a forthcoming by-election. If this week's performance in the local contests is repeated at next month's European elections, the Tories could face a wipe-out of Canadian proportions, with Labour winning a preponderance of seats and the Liberal Democrats mopping up most of the rest. Since the Conservatives remain deeply divided about Britain's proper place in the European Community, this is possible.

There are in effect two Conservative parties. One believes that Britain must, in the last resort, adapt to the continental consensus. The other regards such a strategy as surrendering British sovereignty. These convictions are ultimately irreconcilable. For the moment the Conservative coalition is being held together by thin rhetoric. Decisions on intractable matters such as a single currency are postponed, while on everyday affairs the government asserts that it will "stand up for Britain" while remaining "at the heart of Europe".

In short, today's party may be unleadable. Yet Mr John Major's leadership is once again under question. If it could be demonstrated that the prime minister was personally responsible for the loss of public support for the Conservatives, and that one of his colleagues could do the job better, he

might reasonably conclude that he should step down. This is not, however, the case. None of the contenders for the job - not Mr Michael Heseltine, nor Mr Michael Portillo, nor Mr Kenneth Clarke, would guarantee a permanent end to internecine strife. The government is out of favour for a variety of reasons, only one of which is the well-known list of misfortunes and inept decisions for which Mr Major alone may be said to be responsible.

The Tories' counter-inflation strategy, which has been effective, brought about a prolonged recession. Recovery is slow. The statistics are pointing to better times, but the resurgence of growth is not being felt by a sufficient number of people to make a difference. The housing market is recovering, but only gradually. Real incomes, net of tax, are rising imperceptibly, if at all. Taxation, which Mr Major promised in 1992 would not be increased, has been raised by the largest amount in peacetime history.

Yet the performance of the opposition is not quite as threatening as it looks. The Liberal Democrats will have to be taken more seriously if they win in Eastleigh and do well in the European elections, but they have a long way to go. Labour's tally on Thursday, at about 41 per cent of the vote, fell short of its opinion poll ratings of 47 and 48 per cent. The party's leader, Mr John Smith, is apparently content to watch the Conservatives tear themselves apart. This could be a fatal error. On Thursday it worked in places like Croydon, but not everywhere. When the next general election comes, southern voters will want a reason, and one they can believe, for trusting Labour.

### Fatal error

Meanwhile, Mr Major should slow down. If he reshuffles his cabinet in July he should do so without appearing to panic. Competence should be preferred to party balance. Mr John Patten has run out of rope at education, and may not be suitable for any other department. Mr Michael Howard has not been a successful home secretary, but he is too big a player to be relegated. Mrs Virginia Bottomley is no longer useful at health. Mr Portillo should be tried out in a department, while Mr Stephen Dorrell, Mr Brian Mawhinney, Mr David Davis, and Mr Jonathan Aitken should be brought in to the cabinet.

Beyond that, the government would do best to try a period of quiet, competent, administration. It is counter-productive to invent a new wheeze every other Tuesday. When in a hole, it is advisable to stop digging.

A former central bank governor and a former head of the stock exchange are remanded in a common jail. The ex-chief of paramilitary police is on the run. Two ministers and the ruling party's parliamentary leader have felt obliged to resign, joined yesterday by the head of the country's anti-drug programme. This week the whole of Spain has been gripped by the spectacle of a political crisis spinning vertiginously out of control.

Mr Felipe González, the prime minister, returned last night to his home town of Seville to try to stir up his alarmed Socialist troops to face European and regional elections just five weeks away.

The day before, in a televised press conference, he made a belated effort to put a lid on the crisis, doing his best to project the customary confidence and serenity, talking frankly of "mistakes" and "difficult days", saying he had no intention of quitting or dissolving parliament. But his nervous smile betrayed the traumatic experience he and his government have been going through in the past few days.

Mr González is not to be easily written off. He has come back and fought his way out of tight situations before. Eight years ago he came close to being unseated in a referendum on Nato membership. He won it against the odds after a debilitating campaign in which he was accused of being a turncoat. Last year, facing a likely general election defeat and widespread disillusion, he managed to rally more votes than the Socialists had obtained since their first landslide win in 1982.

But how many lives does Mr González have? His government's credibility was already low before the scandals surfaced, having presided over Spain's worst economic slump for 30 years and an official unemployment rate now nearing one in four. The party which gave stability to Spain's post-Franco democracy by securing an absolute majority in parliament is now a minority government. The only solid backing for Mr González now comes mainly from pensioners, women and countryfolk. He has lost support among the young and in the cities and industrial centres.

Even before this week's resignations, which have brought a distinct whiff of governmental decomposition, there was an air of *fin de régime*. The Socialists probably expected to be beaten in last summer's general election. Their surprise win now looks increasingly likely to be a limited extension, like a football match playing into extra time.

This does not mean the government has been inactive. A new economic team is pressing ahead with deregulation. A cautious reform of the country's notoriously inflexible labour laws - long talked about as a necessary prerequisite for job creation, but never acted on until now - is in its final stages of parliamentary approval, overriding objections from the once-powerful trade unions. A rescue for Banco Español de Crédito (Banesco), one of the traditional pillars of the banking system, has been carried out with conspicuous success.

The fruits of what is now a tentative economic recovery should become apparent next year, when most observers expect the employment figures to start improving. But few would bet on the current administration lasting long enough to benefit from it.

The political discussion in Spain is not about whether the González

As the temperature rises over Spain's corruption scandal, David White asks how many lives González has left

## Struggle to keep the lid on



era is coming an end, but about when and how. Will Mr González - who less than three months ago was turning down approaches to be put forward as the next president of the European Commission - end up like Mr Bettino Craxi, the disgraced former socialist prime minister of Italy, who was caught up in bribery scandals? Will the Spanish Socialists, the oldest political party in the country, cave in like their Italian partners or collapse electorally like the French Socialists on whose campaign they modelled their own when they came to power? Could they just implode, following the example of Spain's previous governing party, the Union of the Democratic Centre (UCD) in 1982?

For now, Mr González has shored up his position by securing pledges of support from Catalan and Basque nationalists who lead governments in their respective regions and form minority groups in the national parliament. The Catalan party *Convergència i Unió* alone has enough seats - 17 - to provide a narrow combined majority with the Socialists.

Its leader, the Catalan president Mr Jordi Pujol, has come to the conclusion that no other government is possible in the current parliament. The conservative Popular Party (PP) has 141 seats, not far behind the Socialists' 139 but not enough to create an absolute majority even if both the Catalans and

Basques switched camp. Mr Pujol, who broadly supports the government's policies, is therefore considering only two options: stick with Mr González or force new elections. In the coming months he will be able to call the shots. He flew to Madrid on Thursday morning to make it clear to Mr González that his support depended on the government's performance in economic policy and dealing with corruption.

**González is not to be easily written off. He has come back and fought his way out of tight situations before**

This understanding still leaves Mr González in a far from safe position. If more cases of serious financial wrongdoing involving senior figures emerge, the Catalans could take fright, not wanting to be seen in the eyes of their own electorate to be propping up a disreputable government in Madrid.

Equally, the alliances with the Socialists could well come under strain later this year when the Catalans press for concessions in next year's budget. Mr José María Aznar, the PP leader, is reckoning on a general election between the

autumn and next spring and would be the favourite to win it.

For all Mr González's assurances, therefore, the climate of uncertainty is sure to remain. Economic planners and business leaders are worried about the possible impact on investment, which would be serious if the political crisis reached a peak before enactment of the labour market reform.

What is puzzling is the lateness of Mr González's response to the growing evidence of corrupt practices and illicit gains. The past three years have seen a succession of embarrassing affairs. The brother of Mr Alfonso Guerra, then deputy prime minister, was accused of using his connections as well as a government office to further his business interests. The next year, after Mr Guerra resigned from the government, a scandal broke over clandestine funds being paid to the Socialist party by banks and companies through a bogus consultancy. In 1992 Mr Mariano Rubio, then still Bank of Spain governor, was already involved in controversy over his links with a failed bank run by his stockbroker friend Mr Manuel de la Concha - a prelude to the present case involving charges of tax fraud and falsification.

The lack of firm action then, and seemingly slow reaction to the implications of the latest allegations have done no good to Mr González's image. Increasingly reclusive,

shielded by an inner circle of courtiers, he has appeared paralysed, trying to play for time, resisting the pressure for heads to roll, waiting to wait for the European election. But the heads have rolled anyway. More emblematic figures than those at the centre of the latest scandals would be hard to imagine. Mr Mariano Rubio served as vice-governor, then from 1984-92 as governor of the Bank of Spain, the ultimate guarantor of financial probity. The Ptas2,000 (£10) banknotes that bear Mr Rubio's signature are now subjects for mockery. The case is all the more poignant because Mr Rubio was a highly effective and respected governor.

When he was reappointed in 1988, a column in the independent newspaper *Diario 16* spoke effusively of Mr Rubio as being "endowed with an innate sense of rectitude, oblivious to any petty political ambition, impermeable to the siren-songs of the private sector". He was "a great public servant in the best sense of such a bestarred word". Trusting him was one thing Mr González had done well. How ironic that the author was Pedro J Ramírez, now editor of *El Mundo*, the paper that led the latest allegations about Mr Rubio's undeclared investments. And then there is Mr Luis Roldán, first civilian chief of the Civil Guard, the ultimate symbol of authority in Spain, renowned for its acute sense of honour, in the front-line of the fight against Basque terrorism and extortion.

This is not the first time the force has made headlines in an unfortunate way. In the attempted military coup of 1981, the image of a handsome moustached lieutenant-colonel in a ticorn hat brandishing a gun in parliament reflected a comic-opera version of Spain. The preposterous saga of Mr Roldán and his property purchases, the allegations about bundles of cash being carried in and out of his office, his extravagant gifts to a woman friend, and his unimpeded getaway have provided a mix of farce and melodrama.

Corruption is nothing new in Spain, however. Although focused on present and future cases rather than digging up the past, it was definitely widespread in the Franco regime. But corruption certainly also flourished in the boom period of the late 1980s, when Socialist politicians had become entrenched in positions of power at local, regional and national levels.

The recent disclosures have provoked a flood of public venom. At a time of continuing economic hardship, the jokes are mixed with fierce resentment, in which sheer envy of wealth is a strong element. Spaniards are not bothered about other people's money. Reaction to the Rubio affair has come close to that of a lynching-mob. When the 62-year-old former governor turned up to answer questions at a prosecutor's office, he was greeted by shouts of "cad". However, he may have done nothing that was not common practice a few years ago, and the rules at the time did not stop a Bank of Spain governor from investing in stocks. Mr Rubio believes he is being made a scapegoat.

The most positive construction that can be put on these tumultuous events in Spain is that they may help to instil more morality into public life. They could have a cathartic effect. But whether there is any salvation in this for Mr González is more doubtful.

## MAN IN THE NEWS: Thabo Mbeki

## Cool, calm and selected

To be a heartbeat away from the presidency is seldom a position of real prominence. But it carries a special, even awesome, significance when the president is 75 and the country in question is South Africa. Mr Thabo Mbeki is now in the limelight, though not yet centre stage. As first executive vice-president and deputy to Mr Nelson Mandela, the leader of the African National Congress who becomes South Africa's president on Tuesday, it is not surprising that he now attracts more scrutiny.

Given the stature of Mr Mandela, the job of filling his shoes is well nigh impossible. But if anyone can provide the reassurance and continuity that his demise would require, it is this urbane 55-year-old. For nearly 20 years, the soft-spoken Mr Mbeki, with grizzled grey beard and pipe to hand, has been, for many in the west, the acceptable face of South African black nationalism. Well before it was respectable to be seen in public with the ANC, some South African businessmen and Western diplomats established private links with a man who clearly would make his mark in a post-apartheid South Africa.

His credentials are impeccable. The son of the revered ANC patriarch Mr Govan Mbeki, fellow prisoner of Mr Mandela, he won his political spurs in the ANC Youth League, which he joined in 1956. During a short period underground after the ANC was outlawed in 1960, he was national secretary of the African Students Association.

In exile from the early 1960s, he put the ANC's case during postings in London, Botswana, Swaziland, Nigeria and Zambia. Between deployments, he got his MA in economics from Sussex University and

underwent military training in the Soviet Union in 1970.

None of this extraordinary and sometimes dangerous past shows. Mbeki, whose demeanour might suit the senior common room of an Oxbridge college, for years quietly defused the legitimacy of the ANC's armed struggle against white rule and pressed eloquently for the imposition of sanctions.

Appointed to the ANC's national executive in 1977, he climbed steadily in the liberation movement's hierarchy. In 1978 he became political secretary in the office of the then-president, Oliver Tambo, who died last year. He added the post of ANC director for information to his responsibilities shortly afterwards. In 1985 he advanced his standing in the party after the ANC's congress in the northern Zambian town of Kabwe, becoming secretary for presidential affairs and winning a place on the ANC organ overseeing its underground activities, the politico-military council.

But it was as head of the ANC's department of international affairs, which he took up in 1989, that he made his mark. In his dealings with foreign governments he avoided the revolutionary rhetoric of some colleagues and remained firm in the belief that a negotiated settlement was possible. He set out to promote the ANC, often seen in the west as a "terrorist" movement to use the phrase of former British prime minister Mrs (now Lady) Thatcher, as a pragmatic movement. A senior western diplomat dispenses high praise: "Whenever the ANC put its foot in it, which was often, Thabo was on hand to extract it."

This experience served him well in what was to be his key role in South Africa's transition to democ-



cracy. The talks which brought this about can be traced back to a meeting in a Zambian game park in 1985. It was then that, with the backing of former Zambian president, Mr Kenneth Kaunda, a delegation of top South African businessmen, led by the ex-chairman of the Anglo American Corporation, Mr Gavin Rely, flew to Zambia for discussions with the ANC.

Within a short time the visitors had concluded that Mr Mbeki and his colleagues, including the late Mr Chris Hani, were politicians with whom they could do business.

Further meetings followed in other centres from Senegal to London. They involved not only South African businessmen but academics, journalists, church leaders and pillars of the Afrikaner community. The latter risked, and in some cases received, a public denunciation from South Africa's then-president, the cantankerous Mr F W Botha. The composition of the ANC delegations would change, but the figure

almost always at the heart of the talks was Mr Mbeki.

On his return to South Africa after Mr Mandela's release in 1990, he was first contrasted with Hani, the former leader of the South African Communist party who had a powerful constituency among the country's alienated youth. Following Hani's assassination Mr Mbeki's main rival became Mr Cyril Ramaphosa, the ANC secretary general who had a cut his political teeth in the rough and tough environment of strikes and stayaways when he led the National Union of Mineworkers.

No less eloquent than Mr Mbeki, it seemed Mr Ramaphosa's role as the ANC's prime negotiator in the constitutional talks, and his talent as a hard-nosed political fighter, would make him a strong candidate for the number two job.

Mr Mbeki, who sometimes appeared more comfortable in boardrooms than at political rallies, was criticised in some quarters for his apparent reluctance to involve himself in grassroots politics. Yet to the surprise of many, Mr Mbeki was endorsed by the ANC Youth League when he made his successful bid for chairmanship of the ANC in 1993. This support may well have swung the balance in his favour in the contest for the deputy presidency, while Mr Ramaphosa decided to decline a cabinet post and concentrate on strengthening the ANC's organisation.

One of Mr Mbeki's erstwhile adversaries in the De Klerk government, now an admirer who sat opposite him in the delicate behind-the-scenes encounters which opened the way to formal talks, remarks: "He is one of the toughest, most able negotiators I have dealt with."

Says another government negotiator: "His ability to maintain his ANC credentials while accommodating white fears was a key factor in the whole process."

Michael Holman and Mark Suzman

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# Mercy mission for money trouble

Peter Norman assesses the first round in defence of the dollar

The world peered into a currency abyss for a brief period this week. Until 17 central banks came charging to the rescue on Wednesday the dollar, the world's most important trading and investment currency, appeared threatened with free fall.

It was heading towards record low levels against the Japanese yen and appeared well on course to go below the psychologically important Y100 barrier. Piercing such a "big number" would have pushed the greenback into uncharted territory. It would have been easy to imagine large investors unloading their dollar holdings in panic-stricken trading conditions in an attempt to stem ever-greater losses.

In the event, an estimated \$30n of concerted central bank intervention at the behest of the US Treasury, and yesterday's announcement of stronger than expected US employment growth in April, stopped the rot. By yesterday evening the immediate threat of a dollar crisis had receded.

But the dollar could easily test the nerves of traders and policymakers in the days and weeks to come. Measured against the currencies of America's leading trading partners it is not far from its all-time low of August 1992. Its sharp decline against the yen since President Bill Clinton took power in January 1992 has unsettled currency watchers. For some, the dollar's recent performance has brought back uncomfortable memories of the term of President Jimmy Carter, the previous Democrat to occupy the White House, when the dollar weakened so

much as to require a large-scale international rescue.

The widespread and ostentatious nature of Wednesday's central bank purchases of dollars for D-Marks and yen testified to the concern of a possible dollar free fall in central banks and finance ministries around the globe.

A slumping dollar would be bad news for the US and Japan, the two main protagonists in the currency's recent drama, and pose serious problems for Britain. Although the Bundesbank and other continental European central banks joined in the intervention, the dollar's weakness appears to be less of a threat to Germany and the economies closely linked to Germany through the European exchange rate mechanism.

A sharply lower dollar would hit an already weak US bond market. The accompanying chart shows how US bond yields have soared since the beginning of this year. Suggestions were circulating in the financial markets this week that a dollar free fall would prompt Japanese holders of US Treasury bonds to start liquidating their investments, forcing long-term interest rates even higher.

A further sharp rise in the yen against the dollar would cause serious problems for the Japanese economy by weakening its international competitiveness. Japan's recovery from its most serious postwar downturn is still far from assured. In contrast to previ-

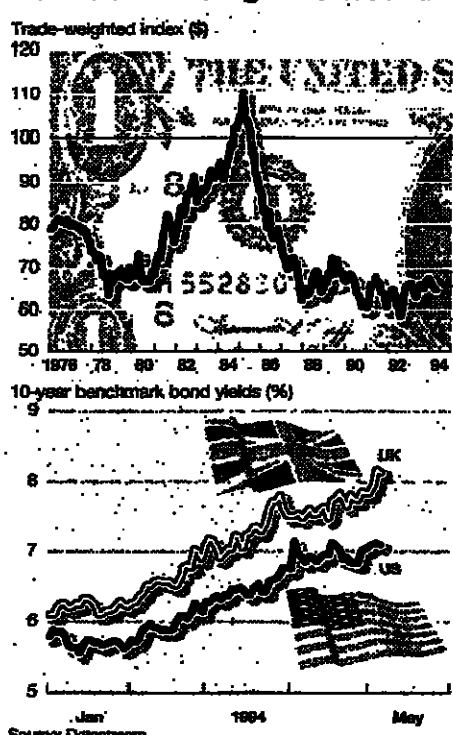
ous periods of yen strength, Japan faces increasingly tough competition from the countries of south-east Asia.

Britain, like the US, would have cause to worry about the impact of dollar weakness on its bond market. As the chart shows, the yields for government gilt-edged stock have risen even more sharply than those for comparable US Treasury bonds this year. Anxiety about the effects of a dollar collapse on the gilt-edged market was an important reason for the Bank of England decision to join in dollar support.

Even before the central banks had started to intervene, the Bundesbank had declared that too strong an appreciation of the D-Mark against the dollar was "not in the interests" of the German economy. Although there is growing optimism that Germany is starting to recover from recession, the economy is still fragile and any increase in competitive pressures on export markets would be unwelcome.

However, in some respects the Bundesbank and other continental central banks have less cause to worry about the dollar than the Bank of England. Continental interest rates are less entwined than UK rates with those of the US. A series of small cuts in official rates this week showed that continental interest rates are still heading downwards in recognition of the more

US dollar: fending off a free fall

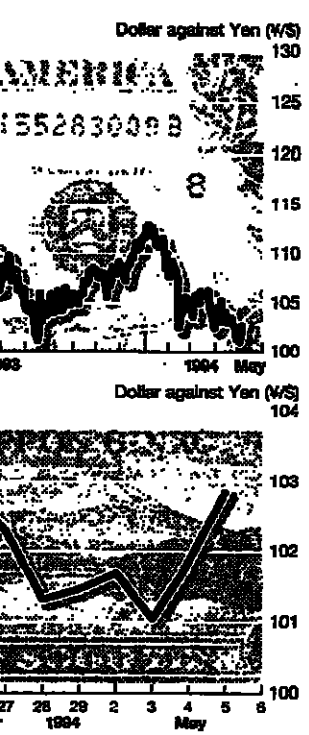


depressed state of the region's economies.

The dollar's decline so far this year has been as much a surprise as a worry for policymakers and pundits. At new year, the general expectation was that it would appreciate in value to reflect the stronger

growth performance of the US vis-à-vis its trading partners and the near certainty that US interest rates would rise.

Consensus Economics, a London-based company that regularly polls forecasters in more than 30 countries, reported the general expecta-



tion that the dollar would be valued at Y112.1 and DM1.75 around Easter and Y114.2 and DM1.78 by the end of the year. When the central banks bought dollars this week the US currency was at DM1.5570 and Y101.2.

Since January the US has

continued to register strong growth and the authorities have pushed the federal funds rate to 3.75 per cent from 3 per cent between the beginning of February and April 18.

But as the chart shows, this period of Fed tightening has coincided with a considerable dollar depreciation against the yen while it has also weakened against the D-Mark.

According to Mr Paul Chertkow, head of global currency research at Union Bank of Switzerland, this decline can be traced to the impact on speculative investors of the Clinton administration's tough trade policy against Japan. These investors, which included lightly regulated "hedge funds", had built up speculative positions in the dollar in anticipation of it rising against the yen.

When President Clinton and the former Japanese prime minister Mr Morihiro Hosokawa failed to settle US-Japan trade disputes in Washington at a meeting on February 11, the markets sold the dollar in the belief that the US wanted to force Japanese concessions through a higher yen. Their interpretation was supported by President Clinton's statement that the US was seeking "objective criteria" to judge progress on trade which might encompass exchange rate variables.

More recently, the markets were confronted with the government of Mr Tadamasa Hata, Mr Hosokawa's successor. This

is so weak that it cannot be relied upon to meet US demands to open its markets or boost its economy. The natural instinct of traders and investors has been to sell the dollar and bid up the yen.

The events of the past week and the declaration of Mr Lloyd Bentsen, the US Treasury Secretary, that the US sees "no advantage in an undervalued currency" could mark a turn of the tide. If investors believe the US administration has experienced a change of heart, the dollar may yet be saved.

But that is a big 'if'. According to economists at SG Warburg, the UK investment bank, there are signs that the one-time bullish consensus about the dollar is cracking. Mr Jim O'Neill, head of global research at Swiss Bank Corporation in London and a long-time dollar bear, points out that the US current account balance of payments is moving deeper into the red as the economy recovers. The overall US deficit between 1984 and 1993 was \$1,025bn. "There is no historical experience of a country continuously running current account balance of payments deficits without ultimately rather negative results for the currency," he says.

At the end of a turbulent week, the world's central banks appear to have won the first round in defence of the dollar. But they only have to think back to the crises of 1992 and 1993 in the European exchange rate mechanism to recall that there is a big difference between winning a battle and winning the war.

It's simple, explained one of Mr John Major's erstwhile supporters at Westminster. Conservative MPs had only to decide whether the prime minister could lead them to victory in another general election. If, once the votes had been counted for the June 9 European elections, the answer was No (and he fully expected it would be), they would replace him. Ruthless, maybe, but then the Tory party had never worried too much about spilling its leaders' blood.

Politics, of course, is never that simple. As they surveyed the devastation wrought by Thursday's local elections, some in Mr Major's embattled government were drawing an altogether more sombre conclusion. The question was not whether the prime minister could recover, but whether a divided and embittered Conservative party could sustain any leader in office.

Nobody in the Tory party expected good results this week. But the scale of the defeat blacked out any remaining shafts of light. The 100 or so Conservative MPs who regard their seats as marginal did not need a calculator to work out that a much smaller swing against the government in a general election would pitch them into the dole queues.

It was an across-the-board revolt. Middle-class disgust in Tonbridge Wells was mirrored by working-class anger in Croydon and Basildon. The Conservative share of the vote, put by the BBC at 27 per cent, was the lowest this century, leaving the government alongside the Liberal Democrats.

There were no doubts at Westminster as to why. Badly bruised by recession and angered by broken promise over taxes, the voters took their revenge on a party which prefers to devote its energies to faction-fighting over Europe than to offering competent government. So the election saw tactical voting on a massive scale. In those areas where Labour had the best chance of defeating the Conservatives, people put their crosses against Mr John Smith's red rose. Where the electorate judged the Liberal Democrats could best deliver the requisite bloody nose, Mr Paddy Ashdown triumphed.

The result, taken with last year's devastation in shire counties' elections, has been to wipe the Conservatives off the local government map.

There were scattered crumbs of comfort. The voters of Wandsworth and Westminster kept faith. More importantly, Labour did far less well nationally than suggested by its high-profile successes in London's suburbs.

Winning 42 per cent of the vote nationwide at this stage of the electoral cycle does not point to a resounding Labour victory in a general election. Mr Smith has been complacent. His strategy has rested on the premise that the Conservatives will do his job for him.

But what the results demonstrated is that a Tory defeat does not translate automatically into a Labour victory. Labour needs to score 45 per cent or more of the vote in such mid-term elections if it wants to secure an overall majority in parliament.

The Liberal Democrats, by contrast, could be forgiven their self-congratulation. Their 27 per cent share of the total was better than at any time since the halcyon days of the old SDP/Alliance in the early 1980s.

The party took swathes of seats off Labour as well as the Conservatives. If the Liberal Democrats still struggle to be heard on the national stage, their credentials as a party of local government can no longer be disputed.

But for the next five weeks – perhaps the next five months until a formal leadership contest in November – politics will be overwhelmingly a story about the Conservatives. The elections

The Tories' dire election result may spell ruin for Major, says Philip Stephens

## On the ropes but still fighting



It may be that this week the Conservatives passed the point of no return

to the European parliament threaten further catastrophe. So, too, does the Eastleigh by-election in which Mr Ashdown is now set fair for a spectacular victory.

If Conservatives were prepared to rebel or stay at home in such numbers this week, how much easier it will be for them to exact further revenge on June 9. Some Tory voters demonstrated that they still care about who runs their local town hall; they are likely to be far less concerned about who represents them in the more remote Strasbourg assembly.

The Conservative manifesto sidesteps the irreconcilable divide in the party over Europe. It manages to wave the Union Jack for the Eurosceptics while appealing the pro-Europeans by sounding positive about Britain's agenda for the Union.

But Mr Douglas Hurd's elegant prose provides the appearance rather than the substance of unity. After Mr Michael Portillo's ill-judged remarks this week about the dangers of a single cur-

rency, it is hard to imagine that the rift will not reopen during the European campaign.

A few weeks ago senior Conservatives were encouraging speculation that the party might see its representation in the European Parliament fall from the present 32 seats to fewer than a dozen. The actual outcome – perhaps 20 seats – would then be treated as a pleasant surprise. Now they have started to believe their dire predictions.

Mr Major knows the European election will be treated as a more telling referendum on his premiership. His combative comments on the steps of 10 Downing Street were explicit confirmation that he expects a formal challenge to his leadership in the autumn.

But his strongest enemies – a motley but daily more powerful bunch of right-wing malcontents, passionate anti-Europeans, and anonymous figures from marginal seats – want to precipitate the crisis well before then. If the European results are as bad as they fear, they want Mr Major out by the end of June.

The prime minister still has cards to play. The pretenders in his cabinet – Mr Michael Heseltine, Mr Kenneth Clarke and the youthful Mr Patten – cannot precipitate a crisis without wrecking their own chances.

A post-election cabinet reshuffle might buy him more time. For different reasons, all in the cabinet but Mr Heseltine, the near-certain winner in any leadership contest, may well judge that their personal political fortunes are best served by sustaining Mr Major rather than by removing him.

The Eurosceptics are divided as to the wisdom of swapping Mr Major for Mr Heseltine. Some are naive enough to believe that Mr Heseltine's pro-European instincts can be reined in. Others will never forgive him for destroying Margaret Thatcher's premiership.

The outcome may depend on Mr Major's psychological make-up. His strongest card is the threat not to go quietly: to fight to the end and whatever the consequences for the party. The calculation his enemies would then have to make would be whether removing him would be more damaging than keeping him.

A close friend insisted that, if necessary, the prime minister would play that card. Mr Major was convinced that he had a better chance than any rival of holding together his party. He had grown more resilient than anybody realised.

Another confidant took an entirely different view. If the anti-Tory tide had not receded by June 9, he judged, Mr Major would "walk". The unthinkable alternative would be a "bloodbath". It may be, though, that this week the Tories passed the point of no return.

On his first visit to Hong Kong in nearly two-and-a-half years, Mr Lu, 67, has been pilloried by the colony's press for his refusal to meet Governor Chris Patten. To add insult to injury, he has had to use tradesmen's entrances to avoid the media. This is not the way a full member of the Chinese Communist party's central committee would expect to conduct himself when inspecting his area of responsibility.

Mr Patten, for his part, has not missed an opportunity to take the moral high ground – even though Mr Lu's decision not to pay him a call still amounted to a snub. "We would like Director Lu's visit to Hong Kong to be so enjoyable and successful that he comes back many times," Mr Patten said yesterday.

Mr Lu's visit was ostensibly to attend a ceremony marking the Bank of China's first issue of bank notes in the colony, and for meetings of the Preliminary Working Committee (PWC), a group of mainly Hong Kong businessmen and mainland officials, set up to discuss post-1997 issues.

But Mr Lu's journey to Hong Kong is also meant to reassert his authority over China's Hong Kong policy – undermined by his long absence – and to signal an important shift in attitude. Beijing is shelving its policy of non-cooperation with Britain on Hong Kong affairs, which reached its height last year during talks on the colony's political development, and substituting a policy of selective co-operation. As Mr Tsang Yok-sing, chairman of the Democratic Alliance for the Betterment of Hong Kong, a pro-Beijing political party, puts it: "Beijing realises that they can't cut all contacts with the UK and Hong Kong governments and achieve a smooth transfer of sovereignty in 1997."

Mr Tsang, also a leading member of the PWC, believes China has also given up hope of seeing Mr Patten recalled to London. This reasoning seems to strike chord with the British Foreign Office. "We have made

more progress on practical issues in the past six weeks than we have in the past two years," says one official. Illustrating this improvement in relations are the current talks about financing Hong Kong's new airport. Hopes have risen within the Hong Kong government that a workable agreement on financing the multi-billion-dollar project can be worked out before the Legislative Council (LegCo) rises for the summer recess in early July.

On Wednesday – a day after Mr Lu said: "I believe that we can reach an agreement on the airport acceptable to both sides" – China requested a formal meeting of the Joint Liaison Group's Airport Committee, the body charged with resolving the differences between the UK and China over airport finances.

Further underlining China's interest in Hong Kong's continuing prosperity, Mr Lu found time to dine with some of the wealthiest local businessmen: Mr Li Ka-shing, chairman of two of Hong Kong's biggest companies; Mr David Li, chief executive of the Bank of East Asia; Mr Stanley Ho, Macao's casino tycoon; and Mr Cheng Ya-tong, chair-

man of New World, the property and construction company. "Mr Lu is confident and in good spirits. It seems to me that he's enjoying all the trappings which go with his office – the police outriders and the reporters chasing him," says one businessman who dined with the Chinese visitor.

In terms of concrete achievements, Mr David Chu, a property developer who sits on the PWC, indicated that some previously intractable subjects might now be easier to resolve. He cited plans for a new Court of Final Appeal, the future use of military territory in the colony, and some civil service matters as examples of where co-operation may now be possible.

But in spite of the new pragmatism, PWC members are adamant that the UK has lost influence by pursuing what they describe as a path of confrontation over Hong Kong's political development. Mr Chu says Britain's view will not now be sought on who should be the colony's first post-1997 "chief executive"; nor will China consult the UK on the appointment of the top 20 or so senior mandarins.

Nevertheless Mr Lu, addressing businessmen yesterday, stressed that China would act in accordance with the Basic Law – its mini-constitution for Hong Kong, drawn up in consultation with the UK – when it resumes sovereignty. This suggests that fears of China taking a still tougher stance post-1997 are unfounded.

From Mr Patten's point of view, the resumption of Sino-British co-operation may appear a vindication of his stance on political development, for which Britain's lack of involvement in the choice of his successor – never likely to have been great – is a small price to pay.

For their part, however, the Chinese remain sensitive to the idea that Mr Lu's visit is a tactical victory for Britain – and Mr Patten was careful to avoid public triumphalism.

He is confident of meeting Mr Lu later this year. But that may be wishful thinking by a governor feeling the strains of China's boycott. Mr Patten may remain beyond the pale for the next three years.

## China's walls weaken

Simon Holberton on the Hong Kong visit of a top Beijing official

Beijing is shelving its policy of non-cooperation with Britain on Hong Kong affairs

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## Central banks defending the indefensible by supporting currencies

From Dr Rosalind M Altmann. Sir, Do the dollar banks never learn? Costly currency interventions were to no avail in saving sterling, the French franc or other minor Euro currencies. Now we see the US Federal Reserve and others trying to stop the dealers from driving the dollar down ("Central banks step in to defend \$", May 5).

On past evidence it is hard to see why the central banks should be successful in fighting the trend this time. The foreign exchange markets have just become too large to be defeated.

In a world of floating exchange rates, currency overshooting is inevitable. "Fundamentals" are irrelevant to short-term speculators. They see quick profits based on market psychology, not economic logic.

The problems is that the speculators – or rather the attempts to fight them – can force a change in the fundamentals themselves. For exam-

## LETTERS TO THE EDITOR

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### Resources must not be wasted

From Lady Howe. Sir, The results of the Institute of Management's survey showing a reduction in the number of women in management are not entirely surprising ("Women turn away from careers in management", May 3). The message from female managers is clear: unless companies shape up and change typical, male-dominated working practices and environments, women will vote with their feet and opt for more flexible, family-friendly working environments.

Two hundred and forty organisations, representing more than a quarter of the British workforce, are currently members of Opportunity 2000, the business-led campaign to help companies maximise women's skills and avoid wasting resource and ability. While they realise there is still a great deal to be done, these organisations are recognising

the true business value of their female employees. They are implementing a number of measures to increase the quality and quantity of their participation in the workforce, including job-sharing schemes, part-time work and providing assistance with childcare, either through voucher schemes or on-site facilities.

Unless more companies follow this example, British business will continue to lose money, time, efficiency and the skills and resources of half its workforce. Elspeth Howe, chairman, Opportunity 2000 Target Team, Business in the Community, 8 Stratton Street, London W1

### High cost of languages

From Mr Hilary Chapman. Sir, Your leader, "Europe's parliament" (May 3) drew attention to some of the procedural reforms necessary within the European Parliament if it is going to earn greater credibility.

Surprisingly, you made no mention of the huge cost of multilingualism within that institution.

When Austria, Sweden, Finland and Norway become full members of the European Union, three further working languages will be added, increasing even further the cost of translating and interpreting.

Surely a case for Esperanto? Hilary Chapman, 8 Vardre View, Penryn Road, Dagenham, Croydon, Surrey SM6 1LH

### Predicting project costs

From Mr A D Maumder. Sir, Andrew Taylor ("Pounds, pioneers and more pounds", May 3) gives some interesting examples of capital cost growth.

The Rand Corporation of the US carried out a report for the US department of energy on final cost against first detailed estimate for a variety of large pioneer construction projects. On average it was more than two times higher. Further effort was applied to analysing cost growth and performance shortfall for energy plants in terms of the amount of new technology, complexity, state of process development and the thoroughness of scope of the

initial estimate. In the third part of the work, a systematic method was developed to enable application of the technique to future examples, to predict a final cost ratio together with a standard deviation.

We used this method for process plants which successfully in my previous company. The problem, however, always remains that, when asked to make a judgement, people tend to gravitate towards their optimistic notions and the results of these careful calculations are not always well received. Tony Maumder, 19 Fernbrook Road, Caversham, Reading RG4 7HG

### Speculation in Westminster

From Mr Charles Spink. Sir, "The clock starts to tick for Major" (April 30). Can it really be true that "... fatalistic speculation permeates every [my italics] conversation among the journalists, ministers, and Tory backbenchers who daily fill the restaurants around Westminster". And then again: "Back in the



## COMPANY NEWS: UK

# B&J board agrees to £56m cash injection from Pepkor

By Andrew Bolger

Pepkor, South Africa's biggest retail group, last night clinched a deal to inject up to £56m into Brown & Jackson, which owns the loss-making Poundstretcher chain of discount retailers.

The recommended agreement gives the South Africans an option to take a 63 per cent stake in B&J, if they put in the full amount. The chain of 230 Poundstretcher outlets would eventually be combined with the 45 clothing outlets, Your More Stores, which Pepkor already owns in Scotland, creating the UK's biggest discount retail chain.

The Pepkor offer is being recommended by B&J's board, even although it last month recommended a rescue offer from the Weisfelds, the millionaires couple who created the What Everyone Wants discount clothing chain.

B&J shareholders were due to vote at an EGM on Monday to approve the Weisfeld plan. That meeting will go ahead, but the first item will be a motion to adjourn until shareholders can consider the latest offer. Mr Gerald and Mrs Vera Weisfeld had offered to inject an initial £20m to meet B&J's immediate working capital needs in return for a 19 per cent stake



Christo Wiese: keeping track of B&amp;J for several years

and two seats on the board.

Pepkor will make no offer to existing shareholders. In exchange for their cash, the South Africans will receive a mixture of new shares and loan notes. They will inject an initial £20m to pay off trade

creditors and remove B&J from the control of its banks.

The agreement was only reached after the market closed, following a day of frantic negotiations in Guernsey, where the South Africans set up an offshore holding com-

pany. B&J's shares closed yesterday 4 1/2p higher at 64p, valuing the group at £63m.

Mr Christo Wiese, Pepkor's executive chairman, said the group owned 1,700 stores in southern Africa and employed 40,000 people. It wanted to diversify internationally and had been keeping track of B&J for several years.

He said: "B&J in its present state requires decisive and immediate action, including the full initial injection of £20m contained in the Pepkor proposal."

"Considerable work is required after that to return the business to profitability." Of the Weisfelds' offer, Mr John Jackson, B&J chairman, said that he believed that Pepkor represented a better option to secure the long-term future of the Brown & Jackson group while providing value to existing shareholders.

Pepkor denied rumours that the deal involved Mr Philip Green, the controversial former chairman of Amber Day, which bought WSW from the Weisfelds in 1990. Mr Green is now running the privately-owned Kception chain of discount stores.

Mr Wiese said: "We have known Philip for years, working as we do in the same business, but this is our deal - he's not involved."

## Denby £40m placing on table

By Peggy Hollinger

Denby Group, the pottery company famous for its informal tableware, is being reborn as a quoted company with the promise to investors of a 52 per cent jump in pre-tax profits to £4.1m for 1994.

The company published the profits forecast and first half results to March 31 in the pathfinder prospectus sent to shareholders yesterday. Denby recorded pre-tax profits of £2.03m for the first six months on sales 34 per cent higher at £11.4m.

Denby, which was rescued from the receivers of Coleroll - which bought Denby in 1987 - via a management buy-out in July 1990, is coming to the market through a placing and public offer this month with a value of more than £40m.

The company is due to publish the flotation share price on May 19 and dealings will begin on June 2.

Denby intends to use the £10m it proceeds which it will retain to pay net debt of £7m and fund capital expenditure estimated at roughly £4m a year.

Mr Stephen Riley, managing director, said Denby had enjoyed better margins in the first half. The higher-priced new designs were selling more rapidly than the less expensive, but older, products.

Denby had also shown significant progress in boosting exports, an area on which it aims to focus post-flotation. Sales abroad represented some 20 per cent of turnover in the first half, compared with 13 per cent.

Mr Riley said Denby now operated out of 10 department stores across the US, including Macy's, the worlds biggest department store.

Mr Riley said there was substantial room to increase Denby's share of the export market, given the performance of other tableware manufacturers which sold between 60 and 80 per cent of their products abroad.

Arcadian International, the leisure-based developer and operator, has made a recommended cash offer worth some £2.75m for Eittington Park Group, owner of a 48 bedroom hotel situated near Stratford-upon-Avon.

Irrevocable undertakings to accept the offer have been received in respect of 48.8 per cent of the A shares and 100 per cent in respect of both the B and preference share capitals.

EP group was incorporated in 1984 and in 1985 raised £1.1m under a Business Expansion Scheme to acquire the Victorian gothic mansion at Eittington Park and convert it into a luxury hotel.

## QMH plans to prevent second restructuring

By Maggie Urry

Bankers working on the £1.3bn Queens Most Houses refinancing have learnt the lesson of Heron International's recent difficulties and designed proposals which should prevent the need for a second restructuring in short order.

Heron completed a refinancing last September only to find that a crashing Spanish property market has already made a second one necessary. Barclays Bank is the lead bank on both Heron and QMH.

Proposals have been passed by the QMH banks' steering committee and have this week been sent to the rest of the hotel group's 66 bank lenders.

The idea of the QMH restructuring plan is to convert an initial amount of debt into

equity, which will dilute current shareholders substantially but not by as much as some have feared. If the company prospers and trading conditions pick up, this limited conversion should be sufficient.

However, there is a back-up element in the proposals under which a further tranche of debt could be converted into equity if trading conditions worsen or the company fails to meet profit targets. This would involve diluting existing shareholders to a small percentage of the total equity.

The plan is said by its proponents to be robust and prudent, and not dependent on asset sales to succeed.

Holders of the group's two debenture stocks, which have a total nominal value of £215m, stand in a strong bargaining

position as they have security over a list of QMH's hotels. They can expect their interest to be paid, although they cannot escape sharing some of the pain.

Bank lenders will see some of their debt converted to equity now, some earmarked for a later conversion if necessary, some remaining as debt but not receiving interest in the short term, and a small proportion being serviced.

The timetable for approval of the proposals is lengthy, although it is hoped that meetings of shareholders, the final stage in the process, can be held before the summer holidays.

If the plans are approved by shareholders the group's shares, which are suspended, should be relisted.

## Yates Bros Wine Lodges lines up summer flotation

By David Blackwell

Yates Brothers Wine Lodges, the independent northern-based drinks group whose Blackpool outlet is a favourite watering hole for politicians and journalists at conference time, is planning a full listing this summer.

The group was founded in 1884 by Mr Peter Yates, who was fired by a philanthropic desire to sell quality wine at reasonable prices to the northern working man.

Mr Peter Dickson, his great-grandson and the group's current managing director, said the founder built the business quickly by the simple expedient of cutting out the middle men. In the mid-1960s Mr Dickson started to rationalise and expand the group, raising money by coming to the market under the matched bargain Rule 535. About 75 per cent of the shares are currently in family hands.

Last December Yates reported a 13 per cent rise in pre-tax profits to £1.41m for the six months to September 26, on turnover 34 per cent ahead at £22m. It reported buoyant sales across retail and wholesale activities. Full-year results are expected in early June.

Yates's Wine Lodges, the main subsidiary, has 46 outlets concentrated in the north of England. Group policy is to concentrate on town and city centres, with ground floor retail space of between 2,000 and 2,500 sq ft.



Peter Dickson: family will retain control of the company

Mr Dickson said the group had a market capitalisation of £47m. The flotation would aim to raise new money while leaving the family in control.

On Thursday the group opened in Leigh, Lancashire, the first outlet of Watling Street Inns - a joint venture company launched last year with Mr Steven Kalkon, of Kalkon

ton Inns and Leisure, another northern company. Yates owns 75 per cent of the venture, which is aiming at a more family-orientated market outside town and city centres.

The group also has a wholesale business, and is supplier of drinks to more than 30 airlines. Its sponsor is Panmure Gordon.

## TI offering 5p cash for each outstanding Usborne share

By David Blackwell

TI, a private food and commodity company, yesterday offered 5p in cash for the shares it does not already own in Usborne, the grain trading and pig production concern.

Shares in Usborne were suspended on April 18 at 1994 after the group had warned of substantial interim losses following pig production

problems.

The offer values Usborne at about £4.5m.

Last week Usborne said that Mr David Frame, its chief executive, had agreed to sell a 38 per cent stake in the company for 5p a share to Mr David Thompson, a shareholder.

As a result TI, owned by Mr Thompson and members of his immediate family, now has just under 36 per cent of the shares,

while Mr Thompson has a further 14.09 per cent.

If acceptance of the offer prejudices Usborne's listing, TI aims to place enough shares with third parties to retain the listing.

Usborne has told TI that it will publish the results for the six months to end-December as soon as practicable.

TI had net assets of £24.5m as at March 31 1993.

## Strong sales growth at Spandex

Shares in Spandex jumped 43p to 64p, after the annual meeting was told that the first four months of 1994 had shown strong sales growth, with turnover of the USM-quoted distributor of sign-making equipment being some 13.6 per cent ahead of the same period last year.

Mr Charles Dobson, chairman, said the UK side continued to recover strongly and the initial performance of the new French subsidiary, Spandex France, was very encouraging.

Net debt had risen during the first four months of this year, as a result of the French acquisition.

Mr Dobson said Spandex would continue to introduce new product developments into its markets. It would also endeavour to further penetrate existing markets, he added.

## IBM aids recovery with marketing reorganisation

By Alan Cane

Mr Nick Temple, chief executive of International Business Machine's UK subsidiary since early 1993, has moved up to a key European post in a major marketing reorganisation.

IBM, the world's largest computer manufacturer, is creating marketing teams aimed at its 14 most important industrial markets in each of the principal geographic areas, North America, Europe, Middle East and Africa and Asia-Pacific.

The move is part of its recovery from three years of losses caused by a sharp decline in the cost of computer hardware and a shift among customers away from mainframe computers.

Mr Temple, 46, has been appointed general manager for the European finance industry which is regarded as IBM's most important business area. The majority of the world's major banks and financial institutions use large IBM computers for accounting and customer information.

His position as head of IBM (UK) will be taken by Mr Javid Aziz, 41, formerly general manager

of marketing for the UK subsidiary.

Mr Aziz has worked closely with Mr Temple over the past two years in restructuring and revitalising IBM (UK) and his promotion was no surprise to the company's senior staff. He was closely identified with "Galaxy", a scheme implemented last year through which the UK company was divided into 30 separate businesses, each with its own cost structure and profit and loss responsibilities.

Mr Temple's new post is regarded as a promotion, recognising his work in leading IBM (UK) back to growth after two years of heavy losses. He has reduced cost structure, cut away layers of management and reorganised the workforce.

Last year he was appointed an IBM vice president, the first IBM (UK) chief executive to be so rewarded. Mr Temple will take on the role of chairman of IBM (UK) after the retirement of Sir Anthony Cleaver later this month.

Mr Aziz, a graduate of Loughborough University, joined IBM as a graduate trainee in 1975. His appointments with the company have included director of quality, Europe, and assistant general manager, European operations.

## Royal Bank fund management talks

By John Gapper and Norma Cohen

Royal Bank of Scotland is thought to be in talks with Newton Investment Management on plans to merge their fund management operations.

Royal Bank would take a stake in the enlarged group, which would be managed by Newton.

The company said yesterday that it was in discussions over "possibilities for co-operation in fund management" with Newton, but had "no current plans" to acquire an invest-

ment management business.

Royal Bank, which is due to announce its interim results next week, would not comment further.

Royal Bank's Capital House Investments arm has about \$50m in funds under management. However, the bank is thought to believe that combining operations with Newton would be a more effective way of expanding than outright acquisition.

Newton Investment Management, based in London, is a growing fund management company with £5.17bn under

management. Roughly 24m of that is pension scheme assets with the remainder in unit trusts for retail clients.

Newton has distinguished itself by superior performance in recent years and in 1993 was the top-ranked firm among pension managers with a median in-house return of 37.4 per cent according to figures compiled by Combined Actuarial Performance Services. Among fund managers measured by CAPS, the median return was 29.2 per cent.

According to data compiled by the Financial Times, New-

ton is also the top performer among leading pension fund managers over the past five years. It is the 17th largest pension fund manager in the UK.

Although its services are frequently recommended by pension fund consultants who advise schemes, Newton has only resumed accepting new clients in April after a two-year hiatus.

Capital House, meanwhile, is ranked 25th largest pension fund manager according to an FT survey, with £4.8bn under management.

## Biotrace shares jump 17p

Shares in Biotrace International rose 17p to 152p yesterday after the microbiological testing company, which was floated in November, said that sales to date of its Uni-Lite system were ahead of expectations.

Biotrace said it was encouraged by Uni-Lite's results, which followed the first marketing phase of the system in the US by the Klenzade division of Ecolab, the company's new marketing partner. Sales to date were "substantially ahead" of the original plan.

In the UK, Biotrace had secured new key accounts with Carlsberg-Tetley, Hazlewoods and Hillsdown.

## Gowings restates 1993 profits

Gowings, the motor trading and leisure company, is restating its 1993 accounts to take account of an exceptional charge resulting from the sale of a mobile home park near Oxford.

The company also announced the sale of Gowings Mobility, which converts vehicles to enable them to carry wheelchair passengers, to its management for a maximum £889,411 cash. The sale is at a premium to book cost but the accounts are not be adjusted for this.

## NEWS DIGEST

The effect is to cut Gowings' pre-tax profit from £251,000 to £24,000 giving earnings per share of 0.12p, compared with 2.28p. The 2p total dividend is now uncovered. The shares were unchanged yesterday at 75p.

Gowings received £825,100 for the mobile home park against a book value of £1.02m. Taking account of the loss caused the 1993 exceptional credit of £157,000 to change to a loss of £40,000.

The management of Mobility, led by Mr Gary Newton, director of the offshoot, is paying an initial £494,411 plus a sales-related sum up to £225,000.

## Hartstone sells Leeds hosiery side

Hartstone Hosiery has sold the business and certain of the assets of Hartstone Hosiery, comprising its hosiery distribution business based in Leeds, to its senior management, for £1.82m.

The consideration includes a deferred amount of £300,000. Hartstone sold its other hosiery interests to Courtaulds in January.

## Coats Viyella share dividend

Coats Viyella has received elections accepting its enhanced share dividend alternative to its final cash dividend in respect of holdings totalling 833,58m existing ordinary shares (94.4 per cent). BZW has received accep-

tances of its cash offer in respect of 156.27m existing ordinary (24.5 per cent). The final cash dividend payable this year will be about £1.8m, against £2.1m which would have been payable if all shareholders had received in full the cash dividend. The company's ACT saving will be some £7.5m.

## CSC Investment net assets rise

For the year 1993 net asset value per share of the CSC Investment Trust rose from 101.63p to 133.45p. Available revenue emerged well ahead at £113,131 compared with £45,247 equal to 6.88p (2.75p) per share.

There is a final distribution of 4p (2.5p) which lifts the total dividend from 4p to 5.5p. Gross income amounted to £189,437 against a previous £126,751.

## JO Walker in black with £61,634

For the year ended December 31 JO Walker, the timber importer, achieved pre-tax profits of £61,634. The figure took account of second half losses of £100,386 and an exceptional credit of £228,484, being the maturity of an endowment policy.

The profit compared with losses for 1992 of £402,033. Turnover rose from £12.16m to £14.22m over the 12 months. Earnings per share were 7.7p, against 37.4p losses and again there is no dividend.

## New issues return to old basics

### David Wighton examines the recent falling interest in flotations

The new issue market has gone off the boil over the last month and judging by the reception to some of this week's debutantes it is cooling rapidly.

Healthcare and Lombard Insurance were both forced to cut their flotation price by more than 10 per cent this week as institutions showed symptoms of new issue indifference.

Private investors look equally sated. The offer of shares in the International Biotechnology Trust, backed by the heavyweight team of Rothschild Asset Management and Robert Fleming, attracted just £2.6m. In total it raised only £37.8m, compared with the target of £100m.

Yet few significant issues have been pulled, though one large demerger is said to have been put on hold, and the pipeline is full of new hopefuls.

"There is a whole pack to get through before the summer and they are queuing up round the block for the autumn," said one adviser. "If they all come, prices are going to come under a lot of pressure."

That pressure was seen clearly with Redrow, Britain's biggest private housebuilder, whose issue size was scaled back and the price cut by more than 20 per cent. The House of Fraser price was also trimmed and the heavily-promoted issue

was only twice subscribed.

Mr Christopher Knight, who handled Healthcall's flotation at Morgan Grenfell, the merchant bank, blames the volume of new issues over the last few months. "That inevitably leads to new issue fatigue among investors who are now being rather more sceptical."

Yet in many cases prices are holding up. Vymura, the wall-coverings group, was priced this week at exactly the level planned when the flotation was announced six weeks ago.

Mr David Simpson, a director of Barclays de Zoete Wedd, Vymura's sponsor, said: "There is still an appetite for quality new issues but the market is now pretty price sensitive. The key is not to over price in the first place."

He points to the disappointing performance of some recent new issues. The most spectacular flop has been Maid, the on-line business information group which was to be valued at more than 100 times its profits. Although the offer price was cut back the shares are now trading at a 40 per cent discount. In contrast another fledgling company, Unipalm, the computer network specialist, has gone to a healthy premium. But many advisers believe such companies are going to find it harder going forward.

Mr Pat O'Reilly, head of corporate finance at Panmure

Gordon, the broker, said: "The wildly exorbitant new issues are now out of the question unless they have a very good story."

Some observers believe the problem is that institutions, or more particularly funds specialising in smaller companies, are running out of money.

"They are just not as liquid as they were six to twelve months ago when institutions were pushing more money into their smaller company funds," said one smaller companies analyst. "They now don't have

where fund managers were having to go to two or three new issue meetings a day."

Investors are getting more sceptical about some vendors' motives for coming to the market. "Institutions are beginning to say to themselves 'if this guy just wants to buy a new swimming pool I don't see why we should pay for it,'" commented one fund manager.

One large institution is said to have stopped looking at any flotations on the grounds that there is better value to be had

There appear to be particular problems in some sectors, notably biotechnology, where many of the recent new issues are trading at a discount. The proposed flotation of Pharmakopia has been postponed indefinitely and the Corcoran issue pushed back by at least a month.

The market also seems to be suffering from a surfeit of investment trust launches which may partly explain the reception to Healthcall's biotechnology trust.

All is not gloom. One adviser argues that sentiment has actually improved recently. "A couple of weeks ago two of our flotations were put on hold but are now back on track," he said. But investors are clearly becoming more discriminating, and with good reason.

Last week's profit warning from Canadian Plaza, which drove its shares 40 per cent below the November flotation price, underlined the risk of investing in new issues.

Backers of International Food Machinery's flotation have fared worse still. The receivers, who were called in three months ago, have given up attempts to sell the business as a going concern and this week told creditors there was a total deficiency of \$8.5m. Only 18 months after its flotation the shares are worthless.

"Institutions are beginning to say to themselves 'if this guy just wants to buy a new swimming pool I don't see why we should pay for it,'" commented one fund manager

the resources to go for all the new issues and if they want to they will have to sell something."

If true, this might mean that a continued stream of small new issues may start to undermine the share prices of companies which have recently floated.

However Mr O'Reilly discounts the weight of money argument. "Institutions are merely getting fed up with the sheer number of small new issues. It had reached the point

in shares already on the market.

Whether pressure on prices reduces the flow of new issues may depend on the requirements of the large shareholders.

"Some vendors may be happy to postpone flotation in the hope that prices pick up again. But venture capital backers of some management buy-outs may want to get their money out to invest elsewhere and be prepared to take a lower price," said one broker.

Further jobs

Gordon's  
foundations  
rights issue  
speculationFrench crystal  
game taken over

Packer team



## INTERNATIONAL COMPANIES AND FINANCE

## Further job cuts likely at Digital

By Alan Cane

Digital Equipment, the leading US computer manufacturer, is likely to cut at least 20,000 jobs, about half of them in Europe, as it struggles to return to profit.

It is also looking at a range of other cost-cutting moves including joint ventures and the sale of some of its operating units.

The company said no firm decisions had been made about the closure of European manufacturing centres. Digital manufactures the world's fastest microprocessor, Alpha, at South Queensferry in Scotland.

Mr Robert Palmer, Digital chief executive, warned top managers this week that the future of the company was at stake if the measures were not successful.

He said: "We must achieve a

competitive cost structure as rapidly as possible. And even if we are fortunate to achieve a reasonable growth in revenues, we cannot escape the fact that significant additional downsizing is unavoidable."

"Failure to act promptly will result in a greater loss of employment. In fact, the entire enterprise could be at risk," he said.

Mr Palmer's anxieties came as no surprise to industry analysts, who have been concerned that Digital's restructuring measures have so far failed to improve performance.

Once the world's second-largest computer manufacturer, it has lost some \$3bn over the past few years. Its loss for the three months ended March - its third quarter - was \$188m, a 10 per cent increase on the same period last year, the most pessimistic analysts had anticipated.

The loss seemed to surprise



Robert Palmer: warns of risk to 'entire enterprise'

the company's top management, raising fresh concerns about Mr Palmer's ability to manage a turnaround at the company.

Analysts point out that at

least 25,000 jobs will have to go simply to bring Digital on a par, in terms of revenue generated per employee, with say, IBM or Hewlett-Packard.

Mr Palmer said: "If you look at the implications of achieving a competitive position at our current revenue levels, the metric of revenue per employee suggests a company of 65,000, or fewer." Digital currently employs about 85,000.

In Europe, some 6,000 of its 29,000 staff are already due to be made redundant this year under a scheme set in place by new European president, Mr Vincenzo Damiani.

Mr Palmer said the quality of Digital's products was not at issue. The problems were account management, manufacturing and delivery.

He said the company's operations should be profitable by the end of calendar 1994.

## IBM to restructure marketing operations

By Louise Kehoe in San Francisco

International Business Machines is realigning its worldwide marketing and sales operations into 14 teams, each addressing a specific industry segment. The change represents the most far-reaching reorganisation at IBM in several decades.

IBM will "re-engineer the way we go to market," said Mr Lou Gerstner, chief executive, in a memo to employees. "I believe we have to step up our ability to help customers apply technology in their enterprises. Customers need it and want it."

The shift is a central part of Mr Gerstner's plan to return IBM to a satisfactory level of profit, following heavy losses over the past three years and slim profits in the first quarter of this year.

The reorganisation represents a fundamental change in IBM's marketing and sales approach. Currently, the 40,000-strong salesforce (excluding an even larger support staff) is organised along geographic lines, under country and regional management.

Under the new plan, industry-specific marketing teams will be created to report to worldwide or divisional managers.

However, regional sales managers will retain responsibility for product marketing, IBM said. They will co-ordinate the local activities of the industry teams.

Traditionally, IBM sales personnel have been generalists - selling everything from typewriter ribbons to mainframe computers. Over recent years, many have become product specialists. Some, within the Application Solutions Division, have specialised in creating information-processing systems for particular industry segments. ASD will play a leadership role in the reorganisation, Mr Gerstner said.

With the revamp, IBM sales representatives will become industry experts, or consultants, rather than product sellers. This will require extensive retraining.

## Sweden launches record SKr10bn Pharmacia sale

By Christopher Brown-Humes in Stockholm

The Swedish government yesterday launched its biggest privatisation, unveiling plans to sell a 32.5 per cent stake in Pharmacia, one of the world's top 20 pharmaceutical groups, for around SKr10bn (\$1.5bn).

The take-up by foreign investors, to be promoted through a global offering, is expected to be larger than in previous Swedish privatisation issues.

The government originally planned to sell its entire stake in Pharmacia, equivalent to 45.4 per cent of the capital and 57.5 per cent of the votes. It has, instead, decided to retain a 12.9 per cent capital stake and 10.1 per cent of the votes, to promote long-term ownership stability.

The move is a response to the uncertainty which Volvo, the Swedish motor group, created last month when it said it would sell its 28 per cent stake in Pharmacia. Volvo has agreed not to sell

this holding before 1996.

This will be the last Swedish privatisation before the country's September general election, and is in line with the government's ambition to broaden Swedish companies' access to equity capital and widen domestic share ownership.

The government has been encouraged by the need to resolve two years of ownership uncertainty at Pharmacia, which was formerly part of Procordia, and by the successful SKr7.8bn sale of a 49 per cent stake in forestry group AssiDomän in March.

Analysts noted that pharmaceuticals had been out of fashion because of government clampdowns on healthcare spending. However, they believe the sell-off will have been helped by Roche's \$5.3bn bid for Syntex and SmithKline Beecham's \$2.3bn offer for Diversified Pharmaceutical Services. These have brought new focus to the sector.

Up to \$2.2m a share are to be sold. Half of these are being

reserved for the retail market, with the balance to be offered to institutions. Analysts expect foreigners to subscribe for as much as 75 per cent of the institutional offer.

The price will be fixed on June 17, following an institutional book-building exercise. Institutions are expected to pay near the market price - yesterday SKr126 per share - while individuals have been promised a discount.

Pharmacia, which has SKr27bn in annual sales, is one of Sweden's most international companies, with more than half of its 19,000 employees based abroad. Specialty areas include growth hormones, eye surgery and smoking cessation. The company is looking to compensate for low volume growth with vigorous cost-cutting.

Goldman Sachs International and S.G. Warburg Securities are the joint global co-ordinators of the offer. Institutional sales in the Nordic region will be lead-managed by Enskilda Corporate.

## Japan workers co-operative collapses with Y101bn debts

By Michio Nakamoto in Tokyo

A financial institution owned by employees of Japan's Ministry of Posts and Telecommunications filed for liquidation yesterday with debts of Y101bn (\$888m). It is Japan's third-largest bankruptcy this year.

Koshin Shoji, a wholly-owned subsidiary of a Ministry of Posts and Telecommunications' workers' co-operative based in Tokyo, filed for liquidation with the Tokyo district court after a shareholders' meeting found the company had no choice but to fold.

The failure is the largest among non-bank financial institutions since the collapse of Osaka-based E. G. Capital and Consultants last year with debts of Y200bn, according to Tokyo Shoko Research, a private research company. It is also the third-largest bank-

ruptcy this year after Sanwa Takemoto, with debts of Y124.3bn, and Adco with debts of Y110bn.

The collapse of Koshin is likely to raise criticism of the ministry's relatively relaxed stance regarding the company's lending practices.

Koshin Shoji is a non-bank financial institution established by an MPT employees' co-operative to invest the monthly contributions - 3 per cent of salaries - made by its 250,000 members. Members receive a lump sum plus investment returns upon retirement.

The company has lent to discount note brokers, which in turn lent funds to consumer finance companies, according to Tokyo Shoko Research. With tighter regulations on consumer finance companies and the collapse of Japan's asset inflation bubble, a growing

number of loans made by Koshin went bad, the research company said.

The collapse of Koshin follows several years of financial difficulty, beginning with a Y30.8bn write-off of loans made to five consumer finance companies in 1986. Last year, Koshin made a loss of Y5.5bn on revenues of Y8.3bn.

The posts and telecommunications ministry said the loss would be covered by selling some of the co-operative's assets, which amounted to Y457.6bn at the end of March last year. This would happen over a period of about 10 years, so as not to affect payments to co-operative members.

The MPT employees' co-operative also owns other businesses, such as a hotel, a construction subcontracting company and a golf course. All of those businesses were sound, the ministry said.

## Generali confounds rights issue speculation

By Andrew Hill in Milan

Generali, Italy's biggest insurance group, yesterday announced a 5 per cent increase in parent company profits, to L420bn (\$262m) for 1993 compared with the previous year. However, it confounded speculation that an important strategic announcement would be made.

Following a board meeting, the company proposed a L10 increase in the dividend, to L360 per share. However, instead of launching a rights issue - as many commentators had predicted - Generali announced a bonus issue of shares. The issue will be made on a one-for-10 basis.

Generali's stock rose by nearly 4 per cent yesterday, as speculation continued about the possibility that it would buy Victoire, the French insurer which has been put up for sale by its owner Suez, the French holding company. Victoire is valued at FF151bn (\$2.6bn), and an announcement about the successful bidder is expected soon.

The Italian company is also said to be interested in taking part in an Austrian-led consortium to take a minority stake in Creditanstalt Bankverein, Austria's second-biggest bank.

Last year, the Generali parent company increased gross premium income from L8,804bn to L9,776bn. Life insurance premiums rose 12.8 per cent to L3,850bn, a 9.3 per cent increase if exchange-rate fluctuations are ironed out. Non-life premiums totalled L5,926bn, up 9.9 per cent, or 4.7 per cent if adjusted.

The company also enjoyed a strong rise in net income from investments, from L2,121bn to L2,462bn. The consolidated group results should be announced on May 27, but Generali said yesterday gross premium income at group level would reach some L25,000bn, against L22,423bn in 1992.

● Toro Assicurazioni, the insurer which is part of the Fiat group, reported that net profits increased to L153.2bn in 1993, up 10.1 per cent on 1992.

## French crystal name taken over

Lalique, one of the oldest and most famous names in French crystal making, is to lose its independence through a takeover by Pochet, another prestigious French glassmaker, writes Alice Rawsthorn in Paris.

Pochet, which specialises in making bottles for sectors such as the perfume industry, already owns 9.4 per cent of Lalique, and has agreed terms with Ma Marie-Claude Lalique, the owner, to buy her 60.4 per cent stake.

Lalique, founded in 1922, has sales of FF1370m (\$255m).

## Asia's big spenders put luxury back into shopping

Asprey, the exclusive London gift shop, recently sold a gold and lapis lazuli necklace for £200,000 (\$447,000) to an Asian businessman.

Now £200,000 objects are not sold by Asprey every day - but it has been selling them more often since the start of this year. "The market is still very erratic," says Mr Naim Attallah, chief executive, "but business is getting better. There's definitely something in the air."

Asprey is not the only member of the luxury goods industry to have detected signs of recovery. LVMH and Hermès, two of the most famous names in French luxury goods, last week both reported sales growth of around 30 per cent for the first quarter of this year.

This flurry of good news comes as a sorely-needed relief to the industry after three gruelling years of economic recession and a spate of distress-induced takeovers. Last year alone, Yves Saint-Laurent, the French fashion house, was acquired by oil group Elf Aquitaine, and the Gucci family lost control of its Italian leather business to Investcorp, the Arab consortium.

However, thanks to improving demand, the industry now seems more stable. Although some established markets, notably continental Europe and Japan, remain depressed, there is evidence of recovery in others. "There's definitely a positive trend in North America," said Mr Alain-Dominique Perrin, chairman of Cartier, the French jewellery group, "although some European countries, such as Italy and Switzerland, are still weak."

One compensation for the squeeze on the industry's established European markets is the expansion of its business in eastern Europe. LVMH has already opened a Christian Dior boutique in Moscow and

Things are starting to look up in the world of exclusive labels and goods, writes Alice Rawsthorn

plans soon to open another for Louis Vuitton luxury luggage. Asprey this summer will open an outlet in Prague for Mappin & Webb, the silversmith.

The industry is also benefiting from the emergence of new markets in Asia. One of its biggest problems in the early 1990s was the collapse of Japanese demand, one of the chief catalysts of industry growth during the 1980s. Japan is still fragile, but other Asian countries are expanding rapidly.

"The Japanese market has stabilised, but we'll have to wait until 1995 for recovery to take off," said LVMH chairman Mr Bernard Arnault. "In the meantime, we're already experiencing significant growth in other Asian markets such as Taiwan, South Korea and Hong Kong."

These new Asian markets have now replaced the Middle East as the main source of "high rollers," the super-rich customers who are likely to treat themselves to the extremely expensive one-off items - such as Asprey's necklace - that are often highly profitable for the luxury goods houses.

"Almost all our big punters come from Asia these days," said Asprey's Mr Attallah. "In the old days, it was the Middle East, but that has slowed down since the Gulf war. Even the wealthiest Europeans and Americans are inhibited about spending money. But the

Asians are the biggest gamblers and the biggest spenders. If they like something they'll buy it, no matter how much it costs."

However, the market with the greatest potential is China. Until recently, most companies operated there on an experimental basis in liaison with local partners. They are now investing directly, as Cartier did last autumn when it opened a shop in Shanghai. Mr Perrin sees China as "unquestionably one of our most promising markets for the future."

The brighter outlook has already encouraged some luxury goods companies to adopt a more expansionist stance. L'Oréal, the French cosmetics company which owns Giorgio Armani perfume and Lancôme skin products, last month acquired full control of Cosmax, its US distribution business.

LVMH last week paid FF1.96bn (\$344m) for a majority stake in Guerlain, the French fragrance house. Guerlain is expected to be the first in a series of deals for LVMH, which has dramatically reduced its debt after unravelling cross-shareholdings with Guinness, the UK drinks group.

Mr Arnault has already indicated interest in diversifying into jewellery. Tiffany of the US, France's Van Cleef & Arpels are being talked about in the trade as possible targets.

"We'll consider acquisitions, as we have in the past, if the right opportunities arise at the right price," said Mr Arnault. "In principle, jewellery is an area into which we might expand, but there are no specific commitments at this point."

LVMH is now free to commit itself, having last week finalised the Guinness deal. The luxury industry is now waiting to see where Mr Arnault will strike next - judging by his past form, it will not have long to wait.

## Atlas Copco advances 21% in first quarter

By Christopher Brown-Humes

Atlas Copco, the Swedish industrial components group, has reported a SKr380m (\$49.5m) profit after financial items for the first quarter, up 21 per cent from a year ago.

The group attributed the upturn mainly to the benefits from a SKr700m investment programme at an Antwerp compressor plant.

A combination of acquisitions, currency effects, price rises and higher volumes took sales up 13 per cent to SKr4.83bn. Operating profit climbed 34 per cent to SKr4.83bn, helping to offset a SKr27m currency loss.

Orders were 12 per cent higher at SKr5.2bn. In Europe, orders rose in the UK, Spain

and France, although the German market continued to decline. In many non-European markets, order levels were strong.

The group's biggest division, Compressor Technique, lifted operating profits to SKr296m from SKr202m, due to better volumes and efficiency. This helped offset a slight fall in profits in its other divisions.

Full-year profits are expected to exceed the 1993 SKr1.32bn level. Although orders are expected to rise in most European markets in 1994, German demand is likely to remain weak, the company said.

The group has decided to close a Canadian plant which manufactures rock-drilling tools. Production will be switched to Sweden and Brazil.

## Holderbank improves as sales climb

By Ian Rodger in Zurich

Holderbank, a leading international cement and building materials group controlled by Mr Thomas Schmidheiny, said net income rose 10 per cent last year, to SFr287m (\$205m), on sales up 7.6 per cent at SFr3.4bn.

The group said the sales rise was due to a widening of the consolidation, plus higher volumes and prices. Deliveries of cement and clinker rose 7.2 per cent to 46.2m tonnes, and the volume of ready-mixed concrete was up 7.5 per cent, to 14.2m cubic metres.

The directors have proposed a 20 per cent rise in dividends, to SFr15 on bearer shares and SFr3 on the registered shares.

## Packer team loses bid for Sydney casino

By Nikki Tait in Sydney

Mr Kerry Packer, the Australian businessman, and Circus Circus, the large US gaming group, yesterday lost their joint bid to build the US\$1bn-plus Sydney casino complex, which is forecast to have annual gaming revenues of around A\$500m (US\$367.1m) when it comes on stream in 1997.

Instead, the New South Wales Casino Control Authority announced yesterday the winning development proposal had been submitted by Leighton Holdings, the stock market-listed Australian engineering and construction group in which Hochtief, the German

construction group, has a 48 per cent shareholding.

Although the CCA stressed no one factor had influenced its decision, the Leighton bid - made in conjunction with Showboat, a US casino group - offered a much higher upfront payment to the NSW state in return for the casino licence.

The consortium has promised to pay A\$441m over three years, or A\$376m as a single upfront sum - a figure which even Mr Chris Cullen, the CCA chairman, described as "exceptional".

Mr Packer - whose involvement in the rival consortium was through his Nine Network and Consolidated Press companies - said his group had "bid

our maximum price and came up over A\$50m short." "On that basis, [Leighton/Showboat] deserved to win and good luck to them," said the businessman, known to be a keen gambler himself.

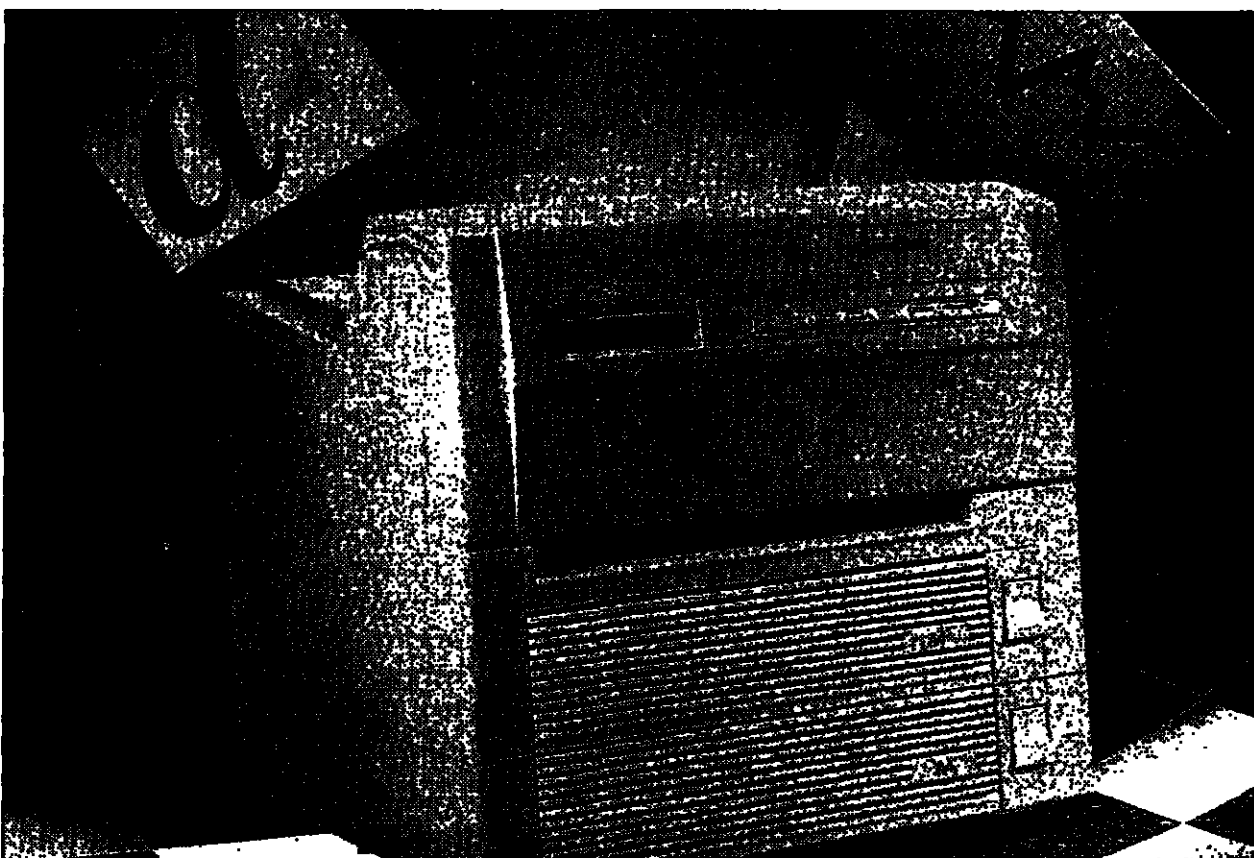
The Sydney casino is the last, and largest, in a string of such development announcements in Australia. Growth in the industry is expected to explode over the next three years. Casinos are due to come on stream in Cairns, Brisbane and Melbourne during that time and - with Sydney included - the country's total annual gross casino revenues could top A\$2bn by the late-1990s. Mr Packer already has connections with - and a

potential direct interest in - the Melbourne property.

The Sydney casino has always been seen as a "prize" because of the city's strong Asian tourist trade. In addition to the upfront licence payment, the state expects to get annual tax revenues of around A\$100m once it starts operating.

The Leighton/Showboat proposal includes a five-star hotel, serviced apartments, a floor-show theatre and a 2,000-seat lyric theatre, as well as the "themed" casino with its 170 gaming tables and 1,480 gaming machines.

Leighton said the consortium company, called Sydney Harbour Casino, would be floated by 1995.



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## COMMODITIES AND BOND PRICES

## WEEK IN THE MARKETS

## Coffee shows the way with \$220 rise

Barriers were down across the London commodity markets yesterday. Nearby coffee futures raced past the \$1,800-a-tonne mark to fresh five-year highs; copper prices surged above \$2,000 a tonne for the first time in ten months; and crude oil bettered \$18 a barrel, in defiance of bearish projections by most analysts.

Coffee's performance was easily the most impressive. Concern about nearby supply tightness had already helped to extend last week's \$90-a-tonne gain in the July robusta position at the London Commodity Exchange by \$135 before yesterday's explosion of speculative buying took it up another \$185 to a peak of \$1,880. It weakened in late trading, but at \$1,789 was still up \$91 on the day and \$226 on the week.

Supply worries were already reflected in the premiums commanded for nearby delivery positions before this week's upsurge. And that for prompt May delivery over July widened to \$100 a tonne at yesterday's close from \$52 a week earlier. But more significant, perhaps, was the increase in the September/November spread from \$6 to \$35, suggesting that availability problems were expected to continue. Dealers were worried, however, that the preponderance of speculative funds in the recent buying meant that the market was very vulnerable to profit-taking. "The rise is becoming blown out of proportion... the higher it goes, the more vulnerable it becomes," one trader noted.

"There is sufficient coffee in the world, quite substantial stocks in consuming countries and producer-retained coffee which will be released," said another. "We are facing a low period of roasting, there is no

drought, no frost and no major interruption in supply."

The London Metal Exchange copper market, buoyed by increased US physical demand and falling stocks, had been bracing itself all week for an assault on the mid-March peak of \$1,983 a tonne for three months delivery. And when that hurdle was cleared yesterday morning a flood of short-covering and stop-loss buying quickly took the price to a high of \$2,037. It closed at \$2,027.50 a tonne, up \$52.75 on the day and \$76 on the week.

The copper market's strength was fuelled by yesterday's announcement of a 17,025-tonne reduction in LME warehouse stocks, taking them to 456,425 tonnes, 26 per cent below February's 16-year high.

In contrast, a rise in the aluminium price came in spite of an equally substantial rise in its LME stocks, which dashed traders' hopes that recent production cuts would be reflected in the stocks total.

However, copper's performance ensured that the other LME metals were in no mood to wallow in such disappointments. The aluminium price succeeded in regaining its foothold above \$1,300 a tonne to close at \$1,332.50, up \$5 on the day and \$35.75 on the week.

The reversal of sentiment in the market that has surprised many analysts was underlined yesterday when near delivery prices broke through the psychological barrier at \$16 a barrel.

The rise - which took the prompt June position at London's International Petroleum Exchange to \$16.10 in late trading, up 30 cents on the day and 41 cents on the week - was attributed to news of North Sea shipment cancellations, following Monday's platform shutdowns, and concern about the civil war in Yemen.

Richard Mooney

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Assignment Month Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 mths 9 mths

Close 1332.50 1337.50 1341.25

High/Low 1312.5-13 1337.5-38

Open Int. 247,289

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## PRECIOUS METALS continued

■ GOLD COMEX (100 Troy oz: \$/troy oz.)

May 383.4 +8.5 383.4 383.4 383.4

Jun 384.5 +8.8 384.5 384.5 384.5

Jul 385.6 +9.1 385.6 385.6 385.6

Aug 386.7 +9.4 386.7 386.7 386.7

Sep 387.8 +9.7 387.8 387.8 387.8

Oct 388.9 +10.0 388.9 388.9 388.9

Nov 390.0 +10.3 390.0 390.0 390.0

Dec 391.1 +10.6 391.1 391.1 391.1

Jan 392.2 +10.9 392.2 392.2 392.2

Feb 393.3 +11.2 393.3 393.3 393.3

Mar 394.4 +11.5 394.4 394.4 394.4

Apr 395.5 +11.8 395.5 395.5 395.5

May 396.6 +12.1 396.6 396.6 396.6

Jun 397.7 +12.4 397.7 397.7 397.7

Jul 398.8 +12.7 398.8 398.8 398.8

Aug 399.9 +13.0 399.9 399.9 399.9

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## CURRENCIES AND MONEY

MARKETS REPORT  
Dollar steady

Foreign exchanges had their hopes dashed yesterday when the US Federal Reserve failed to raise interest rates after a buoyant set of jobs data, writes Philip Gannith.

Markets were expecting that the Fed might tighten policy as a follow up to the concerted central bank intervention that took place on Wednesday to support the dollar.

The US currency rose by nearly a penny when the April non-farm payroll rose by 267,000, compared to a market forecast of 170,000, increasing the prospects of higher rates.

With the Fed deciding to keep its powder dry, however, the dollar retreated from earlier highs to close in London at DM1.6661 from DM1.6682 on Thursday. Against the yen it closed at ¥102.780 from ¥102.695.

Starting's initial response to the very poor showing of the ruling Conservative Party in local elections was subdued,

but it later lost ground in afternoon trade to close at DM2.4899 from DM2.4908.

The market probably ran a little ahead of itself in expecting the Fed to lift rates immediately. The central bank has recently been scrupulous in separating rate moves from specific data.

But what the performance of the dollar did make clear is that the Fed will have to act.

## Pound in New York

May 6	Close	Change	High	Low
100	1.4885	0.0005	1.4900	1.4870
100	1.4885	0.0005	1.4900	1.4870

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## Dollar

DM per \$

1.72

1.70

1.68

1.66

1.64

1.62

1.60

1.58

1.56

1.54

1.52

1.50

1.48

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## Sterling

\$ per £

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## INSURANCES



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

[illegible]

**Capital Trust Financial Management**  
6-10 Brook St. Enterprise Co. Laboratory 02155-0001

## OFFSHORE AND OVERSEAS

**BERMUDA (SIB RECOGNISED)**

**GUERNSEY (\$18 RECOGNISED)**

Int	Cont	Mid	Sell	+/-	%
Change	Price	Price	Price	-	Chg

**AIB Investment Managers (Guernsey) Ltd**

First Ind Equity Mgd	0.9286	1.0000	
First Ind Equity Mgd	0.9472	1.0000	
First Ind Equity Mgd	1.0000	1.0000	

[illegible]

## JERSEY (SIB) RECOGNISED

[illegible]

**JERSEY (REGULATED) (TM)**

[illegible]

John Garrett Management (Jersey) Ltd		
Spun Stocking Pl later May 8	021-21146	-
Plastic Pl later Apr 38	810 12	-

[illegible]



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

[illegible]



WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (May 6/US\$)

Symbol	May 6	May 5	May 4	High	Low
Aluminum	1957.51	1958.22	1958.40	1958.40	1957.51
Aluminum	2004.3	1988.1	2014.4	2014.4	1988.1
Aluminum	912.4	904.8	914.1	914.1	904.8
Aluminum	433.45	421.73	428.15	428.15	421.73
Aluminum	105.21	104.4	105.50	105.50	104.4
Aluminum	1535.80	1533.95	1541.77	1541.77	1533.95
Aluminum	1447.50	1573.00	1573.00	1573.00	1447.50
Aluminum	2533.38	2521.21	2529.30	2529.30	2521.21
Aluminum	429.81	428.20	428.20	428.20	428.20
Aluminum	1073.58	1073.58	1073.58	1073.58	1073.58
Aluminum	415.55	415.55	415.55	415.55	415.55
Aluminum	377.10	377.10	377.10	377.10	377.10
Aluminum	1494.83	1494.83	1494.83	1494.83	1494.83
Aluminum	2191.22	2191.22	2191.22	2191.22	2191.22
Aluminum	848.50	848.50	848.50	848.50	848.50
Aluminum	2237.42	2237.42	2237.42	2237.42	2237.42
Aluminum	950.92	950.92	950.92	950.92	950.92
Aluminum	8500.27	8412.86	8388.44	8388.44	8412.86
Aluminum	3715.00	3623.6	3600.4	3600.4	3623.6
Aluminum	453.12	452.58	452.58	452.58	452.58
Aluminum	1815.48	1814.38	1821.80	1821.80	1814.38
Aluminum	600.94	774.04	763.10	763.10	774.04
Aluminum	1292.47	1292.47	1292.47	1292.47	1292.47
Aluminum	1957.51	1957.51	1957.51	1957.51	1957.51

EUROPE

AMSTERDAM (May 6/US\$)

Symbol	May 6	May 5	May 4	High	Low
Aluminum	2255.12	2255.12	2255.12	2255.12	2255.12
Aluminum	4342	4222	4302	4302	4222
Aluminum	2781	2773	2773	2773	2773
Aluminum	2048.41	2012.82	2012.82	2012.82	2012.82
Aluminum	1097.05	1102.92	1094.85	1094.85	1102.92
Aluminum	2960.23	2960.00	2964.05	2964.05	2960.00
Aluminum	2985.4	3012.1	3055.8	3055.8	2985.4
Aluminum	568.01	568.01	567.27	567.27	568.01
Aluminum	1020.09	1019.00	1019.00	1019.00	1019.00
Aluminum	6913.09	6949.00	6970.00	6970.00	6949.00
Aluminum	927.84	912.23	914.28	914.28	912.23
Aluminum	318.22	316.25	317.57	317.57	316.25
Aluminum	1506.6	1523.00	1513.70	1513.70	1523.00
Aluminum	1276.04	1280.82	1301.47	1301.47	1276.04
Aluminum	941.12	950.01	951.97	951.97	941.12
Aluminum	583.27	581.67	587.54	587.54	581.67
Aluminum	1240.71	1282.37	1273.73	1273.73	1282.37
Aluminum	1713.93	1580.6	1513.03	1513.03	1580.6
Aluminum	610.2	608.4	610.7	610.7	608.4
Aluminum	1450.93	1446.10	1447.88	1447.88	1446.10
Aluminum	1254.91	1254.67	1246.48	1246.48	1254.91
Aluminum	281.58	281.58	281.58	281.58	281.58
Aluminum	147.10	148.28	150.22	150.22	147.10

ASIA

TOKYO (May 6/US\$)

Symbol	May 6	May 5	May 4	High	Low
Aluminum	2255.12	2255.12	2255.12	2255.12	2255.12
Aluminum	4342	4222	4302	4302	4222
Aluminum	2781	2773	2773	2773	2773
Aluminum	2048.41	2012.82	2012.82	2012.82	2012.82
Aluminum	1097.05	1102.92	1094.85	1094.85	1102.92
Aluminum	2960.23	2960.00	2964.05	2964.05	2960.00
Aluminum	2985.4	3012.1	3055.8	3055.8	2985.4
Aluminum	568.01	568.01	567.27	567.27	568.01
Aluminum	1020.09	1019.00	1019.00	1019.00	1019.00
Aluminum	6913.09	6949.00	6970.00	6970.00	6949.00
Aluminum	927.84	912.23	914.28	914.28	912.23
Aluminum	318.22	316.25	317.57	317.57	316.25
Aluminum	1506.6	1523.00	1513.70	1513.70	1523.00
Aluminum	1276.04	1280.82	1301.47	1301.47	1276.04
Aluminum	941.12	950.01	951.97	951.97	941.12
Aluminum	583.27	581.67	587.54	587.54	581.67
Aluminum	1240.71	1282.37	1273.73	1273.73	1282.37
Aluminum	1713.93	1580.6	1513.03	1513.03	1580.6
Aluminum	610.2	608.4	610.7	610.7	608.4
Aluminum	1450.93	1446.10	1447.88	1447.88	1446.10
Aluminum	1254.91	1254.67	1246.48	1246.48	1254.91
Aluminum	281.58	281.58	281.58	281.58	281.58
Aluminum	147.10	148.28	150.22	150.22	147.10

AFRICA

JOHANNESBURG (May 6/US\$)

Symbol	May 6	May 5	May 4	High	Low
Aluminum	2255.12	2255.12	2255.12	2255.12	2255.12
Aluminum	4342	4222	4302	4302	4222
Aluminum	2781	2773	2773	2773	2773
Aluminum	2048.41	2012.82	2012.82	2012.82	2012.82
Aluminum	1097.05	1102.92	1094.85	1094.85	1102.92
Aluminum	2960.23	2960.00	2964.05	2964.05	2960.00
Aluminum	2985.4	3012.1	3055.8	3055.8	2985.4
Aluminum	568.01	568.01	567.27	567.27	568.01
Aluminum	1020.09	1019.00	1019.00	1019.00	1019.00
Aluminum	6913.09	6949.00	6970.00	6970.00	6949.00
Aluminum	927.84	912.23	914.28	914.28	912.23
Aluminum	318.22	316.25	317.57	317.57	316.25
Aluminum	1506.6	1523.00	1513.70	1513.70	1523.00
Aluminum	1276.04	1280.82	1301.47	1301.47	1276.04
Aluminum	941.12	950.01	951.97	951.97	941.12
Aluminum	583.27	581.67	587.54	587.54	581.67
Aluminum	1240.71	1282.37	1273.73	1273.73	1282.37
Aluminum	1713.93	1580.6	1513.03	1513.03	1580.6
Aluminum	610.2	608.4	610.7	610.7	608.4
Aluminum	1450.93	1446.10	1447.88	1447.88	1446.10
Aluminum	1254.91	1254.67	1246.48	1246.48	1254.91
Aluminum	281.58	281.58	281.58	281.58	281.58
Aluminum	147.10	148.28	150.22	150.22	147.10

INDICES

Symbol	May 6	May 5	May 4	High	Low
Aluminum	1957.51	1958.22	1958.40	1958.40	1957.51
Aluminum	2004.3	1988.1	2014.4	2014.4	1988.1
Aluminum	912.4	904.8	914.1	914.1	904.8
Aluminum	433.45	421.73	428.15	428.15	421.73
Aluminum	105.21	104.4	105.50	105.50	104.4
Aluminum	1535.80	1533.95	1541.77	1541.77	1533.95
Aluminum	1447.50	1573.00	1573.00	1573.00	1447.50
Aluminum	2533.38	2521.21	2529.30	2529.30	2521.21
Aluminum	429.81	428.20	428.20	428.20	428.20
Aluminum	1073.58	1073.58	1073.58	1073.58	1073.58
Aluminum	415.55	415.55	415.55	415.55	415.55
Aluminum	377.10	377.10	377.10	377.10	377.10
Aluminum	1494.83	1494.83	1494.83	1494.83	1494.83
Aluminum	2191.22	2191.22	2191.22	2191.22	2191.22
Aluminum	848.50	848.50	848.50	848.50	848.50
Aluminum	2237.42	2237.42	2237.42	2237.42	2237.42
Aluminum	950.92	950.92	950.92	950.92	950.92
Aluminum	8500.27	8412.86	8388.44	8388.44	8412.86
Aluminum	3715.00	3623.6	3600.4	3600.4	3623.6
Aluminum	453.12	452.58	452.58	452.58	452.58
Aluminum	1815.48	1814.38	1821.80	1821.80	1814.38
Aluminum	600.94	774.04	763.10	763.10	774.04
Aluminum	1292.47	1292.47	1292.47	1292.47	1292.47
Aluminum	1957.51	1957.51	1957.51	1957.51	1957.51

US INDICES

Symbol	May 6	May 5	May 4	High	Low
Aluminum	2255.12	2255.12	2255.12	2255.12	2255.12
Aluminum	4342	4222	4302	4302	4222
Aluminum	2781	2773	2773	2773	2773
Aluminum	2048.41	2012.82	2012.82	2012.82	2012.82
Aluminum	1097.05	1102.92	1094.85	1094.85	1102.92
Aluminum	2960.23	2960.00	2964.05	2964.05	2960.00
Aluminum	2985.4	3012.1	3055.8	3055.8	2985.4
Aluminum	568.01	568.01	567.27	567.27	568.01
Aluminum	1020.09	1019.00	1019.00	1019.00	1019.00
Aluminum	6913.09	6949.00	6970.00	6970.00	6949.00
Aluminum	927.84	912.23	914.28	914.28	912.23
Aluminum	318.22	316.25	317.57	317.57	316.25
Aluminum	1506.6	1523.00	1513.70	1513.70	1523.00
Aluminum	1276.04	1280.82	1301.47	1301.47	1276.04
Aluminum	941.12	950.01	951.97	951.97	941.12
Aluminum	583.27	581.67	587.54	587.54	581.67
Aluminum	1240.71	1282.37	1273.73	1273.73	1282.37
Aluminum	1713.93	1580.6	1513.03	1513.03	1580.6
Aluminum	610.2	608.4	610.7	610.7	608.4
Aluminum	1450.93	1446.10	1447.88	1447.88	1446.10
Aluminum	1254.91	1254.67	1246.48	1246.48	1254.91
Aluminum	281.58	281.58	281.58	281.58	281.58
Aluminum	147.10	148.28	150.22	150.22	147.10

AFRICA

Symbol	May 6	May 5	May 4	High	Low
Aluminum	2255.12	2255.12	2255.12	2255.12	2255.12
Aluminum	4342	4222	4302	4302	4222
Aluminum	2781	2773	2773	2773	2773
Aluminum	2048.41	2012.82	2012.82	2012.82	2012.82
Aluminum	1097.05	1102.92	1094.85	1094.85	1102.92
Aluminum	2960.23	2960.00	2964.05	2964.05	2960.00
Aluminum	2985.4	3012.1	3055.8	3055.8	2985.4
Aluminum	568.01	568.01	567.27	567.27	568.01
Aluminum	1020.09	1019.00	1019.00	1019.00	1019.00
Aluminum	6913.09	6949.00	6970.00	6970.00	6949.00
Aluminum	927.84	912.23	914.28	914.28	912.23
Aluminum	318.22	316.25	317.57	317.57	316.25
Aluminum	1506.6	1523.00	1513.70	1513.70	1523.00
Aluminum	1276.04	1280.82	1301.47	1301.47	1276.04
Aluminum	941.12	950.01	951.97	951.97	941.12
Aluminum	583.27	581.67	587.54	587.54	581.67
Aluminum	1240.71	1282.37	1273.73	1273.73	1282.37
Aluminum	1713.93	1580.6	1513.03	1513.03	1580.6
Aluminum	610.2	608.4	610.7	610.7	608.4
Aluminum	1450.93	1446.10	1447.88	1447.88	1446.10
Aluminum	1254.91	1254.67	1246.48	1246.48	1254.91
Aluminum	281.58	281.58	281.58	281.58	281.58
Aluminum	147.10	148.28	150.22	150.22	147.10

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**LIFFE EQUITY OPTIONS**

## RISES AND FALLS

## TRADITIONAL OPTIONS

LONDON RECENT ISSUES: EQUITIES										
Issue	Amt paid p. u.	Mkt. cap. (£m.)	1984 High	Low	Stock	Close price	% +/-	Net div.	Div. cov.	P/E ratio
F.P.	100	40.4	102	96	Abstract High Inc	101	-1	-	-	-
F.P.	100	100	100	98	Abstract Steel Wire	100	-	-	-	-
F.P.	1,228.7	114.6	114.2	108	Adair Group Ltd	114.6	+2	-	-	-
F.P.	40.2	114.1	114	110	ASDA Data & Res	114.1	+2	LN2.8	1.1	31
F.P.	100	10.3	10.3	9.9	Bank of Scotland	10.3	-	-	-	27
F.P.	10.1	171	100	97	BBT Gas	171	-	RN3.8	3.3	2.8
F.P.	104.2	483	478	460	Colony Industrial Smr	479	-	-	-	-
F.P.	186	186	186	186	Edinburgh & Wm	186	-	WY 7.2	2.2	10
F.P.	417.0	181	178	168	House of Fraser	182	-	LN5.0	2.2	3.4
- F.P.	-	36	85	85	Intl Bloch	85	-	-	-	-
- F.P.	-	98	98	98	Intl Comtrans	98	-	-	-	-
F.P.	17.7	138	139	124	Kellam	129	-4	WN4.7	2.3	3.7
F.P.	83.5	104	102	92	Northanger	101	-1	US.52	1.8	13
F.P.	57	73	73	73	Northanger Molecular	73	-	-	-	-
F.P.	21.1	241	241	218	Paraco	241	-	US.26	2.2	2.8
F.P.	71.9	201	190	180	Parsons	181	-3	LN5.4	2.8	2.7
F.P.	5.83	5.83	5.83	5.83	Parsons Retirement	5.83	-1	-	-	-
F.P.	120.5	133	131	125	Robinsons Bch Hst	131	-	RN3.6	1.7	3.6
F.P.	12.8	261	198	188	Supacore Venture	238	-4	-	-	-
F.P.	43.0	90	91	Templeton Ltd Am	90	+1	-	-	-	-
F.P.	4.07	50	44	44	TDI	44	-	-	-	-
F.P.	142.8	104	100	Templeton Eng C	102	-	-	-	-	-

## RIGHTS OFFERS

Issue price	Amount paid up	Latest Renew. date	1994		Costing price p	+
			High	Low	Stock	
--	NI	--	50m	10m	Abnott Scotland	1 1/2m
380	NI	17/8	78m	20m	Airbus	75m
52	NI	2/8	45m	1 1/2m	Albert Fisher	30m
6	M	16/8	1 1/2m	30m	Amco Ltd	12m
516	NI	5/5	380m	120m	Brit Bio-Tech Uts	120m
55	NI	--	10m	5m	Dale Electric	50m
NI	NI	29/5	63m	18m	Derwent Valley	50m
9	NI	27/5	40m	4 1/2m	Ena	4 1/2m
25	NI	--	10m	9m	Guinness Post	9 1/2m
152	NI	15/8	27m	10m	Huntlins Armory	14m
105	NI	27/5	60m	10m	LASMO	67m
425	NI	27/5	67m	54m	Mays	67m
25	NI	--	40m	14m	Penite	2 1/2m
2	N	24/5	2m	4m	Tamarit	11m
330	NI	0/6	43m	23m	Wilmans Hldgs	32m

## FINANCIAL TIMES EQUITY INDICES

	May 6	May 5	May 4	May 3	Apr 29	Yr ago	'High	'Low
Columbia Share	\$181.5	\$181.0	\$182.0	\$181.1	\$505.5	\$170.1	\$255.0	\$100.0

Ord. div. yield	4.01	4.01	4.03	3.99	3.97	4.24	4.05	3.4
Earn. vid. % full	5.47	5.47	5.49	5.42	5.40	6.38	5.51	3.8

P/E ratio net	19.60	19.62	19.56	19.79	19.87	19.40	33.43	19.40
P/E ratio nil	20.49	20.51	20.45	20.69	20.77	18.14	30.90	20.30

For 1994, Ordinary Share Index since completion: high 2719.6 2/02/94; low 48.4 26/8/40  
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes										
Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low

2483.3	2483.9	2481.4	2485.4	2487.5	2488.9	2473.6	2472.5	2483.0	2490.3	2488.9
			May 8	May 5	May 4	May 3	Apr 29	Yr 2000		

SEAQ bargains	25,404	23,892	22,864	24,632	24,222	28,15
Equity turnover (mln)	-	1,489.0	1,224.5	1,218.4	1,237.1	1,273.1

Equity bargains†	-	27,242	25,968	27,400	27,846	32,177
Shares traded (m)†	-	585.3	494.7	507.3	484.0	618.1

† Excluding intra-market business and overseas turnover.

**FT GOLD MINES INDEX**

	May 5	% chg. on May 4	May 4	May 3	Year ago	Gross yield %	22 week high	Low
<b>Gold: Wilshire Index (35)</b>	1780.68	-2.7	1825.19	1861.76	1513.64	2.10	2067.40	1613.54
<b>Regional Indices</b>								
Africa (16)	2470.22	-3.5	2559.82	2713.20	2000.34	4.83	3440.80	1861.50
Europe (20)	2174.97	-1.9	2215.83	2229.12	1842.32	2.18	2310.88	1642.32
North America (11)	1527.10	-2.4	1584.25	1538.07	1358.54	0.64	2033.05	1358.54

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.  
Index: Gold Mines Index: Nov 8: 202.8; day's change: +3.5 points; Year ago: 151.0 † Partial

† Lowest Prices were unavailable for this edition.



### INVESTMENT TRUSTS - Cont.

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2000 DW 11 \_\_\_\_\_

[illegible][illegible]

MR Smoller, MD 12734 478

[illegible]



## LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Trust Name	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	99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# Weekend FT

SECTION II

Weekend May 7/May 8 1994

After experiencing the weirdness and confusion of Bolivia's drugs culture, Nicholas Woodsworth joins a patrol on the trail of...

## The Traffickers

US President Bill Clinton came to power on the promise that he would re-stitch America's badly-worn social fabric. Health, education, racial tension, the under-class - just about any subject to do with the declining quality of life in America draws fire. But none so excites the ire of the average citizen as that of law and order and a problem that lies at the heart of American street violence - drugs.

Since 1988, the US government has annually spent more than \$10bn on drug enforcement programmes. It sounds a lot, but it has done little to stem America's appetite for snorting, injecting, smoking or ingesting illegal substances imported from the four corners of the world. Today, America's 11m users spend five times as much on drug consumption as the government spends trying to stop them getting hold of drugs in the first place.

Bill Clinton has recognised that the real solution to the problem lies in Americans themselves - more effort is now being put into rehabilitation, education and community programmes aimed at reducing drug demand domestically.

But at the same time, his administration has adopted new tactics in the war against the global drug trade. Of the record \$13bn requested for the President's 1995 National Drug Control Strategy, 60 per cent is earmarked for "supply reduction programs" - instead of going after drugs and dealers upon arrival in the US, the emphasis is now on suppressing the drugs trade at source.

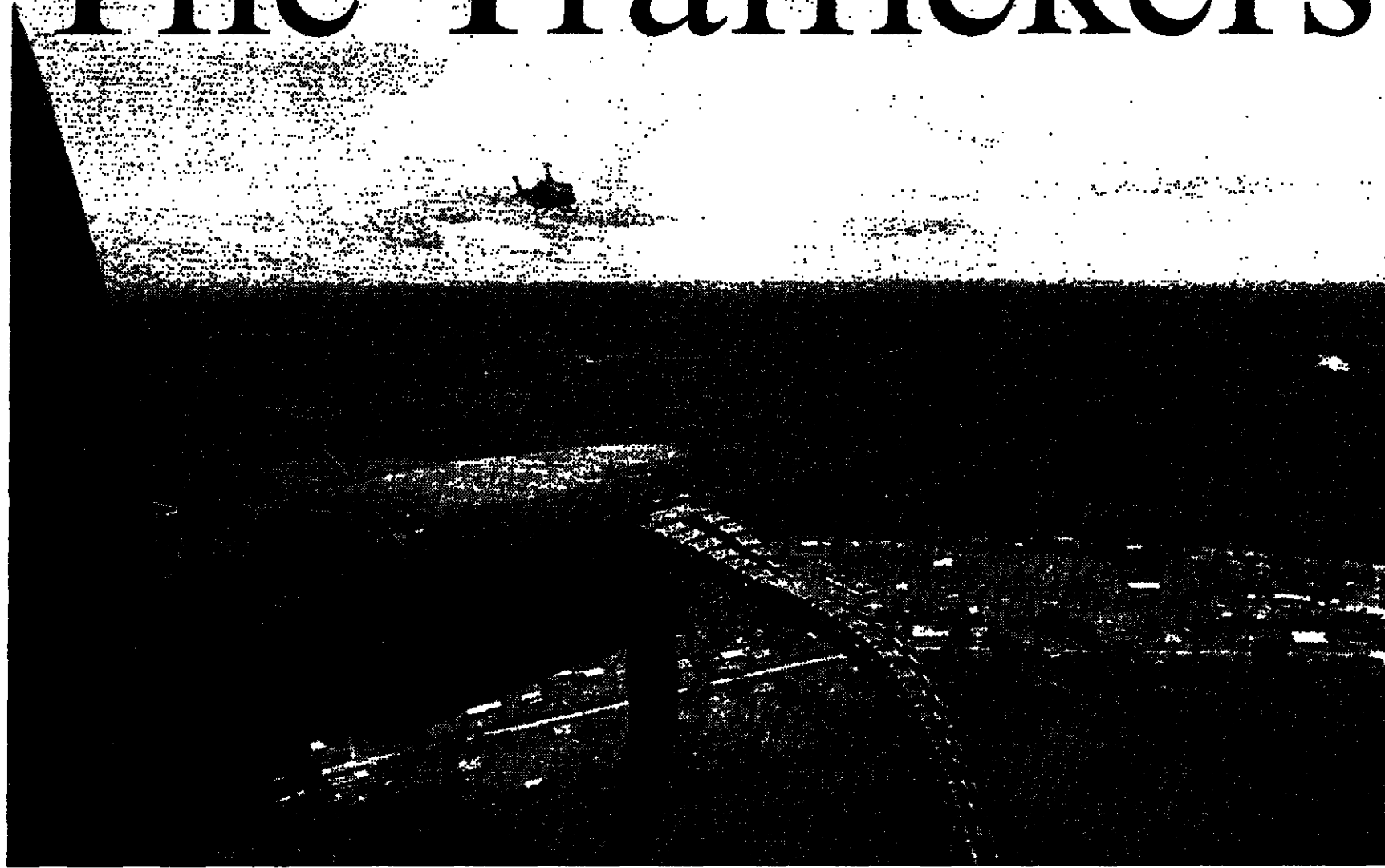
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I had just left the Bolivian mountain capital of La Paz, where I had seen something of the drug-trafficking life. I had had enough drug weirdness, enough confusion, intrigue, paranoia, enough Bad Guy behavior. Here, in the Chapare district of lowland Bolivia, I hoped things would be more straightforward. I was going to go patrolling with Umopar, a para-military jungle unit trained and equipped by the DEA, the US Drug Enforcement Agency, to eliminate the Bolivian drug trade.

But nothing in Bolivia is as simple as it seems. Matters in Chapare seen from the side of law and order turned out to be no less odd than seen in La Paz from the point of view of the drug traffickers.

In fact things have gone so far awry in Bolivia that in popular opinion, roles have become bizarrely reversed: the 35,000 Indian families who cultivate coca in Chapare are innocent and downtrodden victims, while Umopar and their foreign mentors, the DEA, are evil bullies bent on social fragmentation.

From a desk in Washington, neat and innocuous-sounding policy initiatives like "supply reduction" may sound rational and entirely justifiable. When issues have become as confused on the ground as this one, however, policy execution is an entirely different matter. As a result of a forceful new coca eradication campaign, Chapare erupted in bloody violence the day after I arrived.



Flying low over the palm trees and jungle surrounding the base, helicopters shuttled back and forth with men and material

Pence Pictures

Sitting in the office of Commandante Luis Caballero, head of the Mobile Rural Patrol Unit - or Umopar, as its Spanish acronym has it - I could see why the Commandante was loath at present to let me accompany one of his groups. Things were not going well.

Outside in the Umopar compound sat armoured cars with smashed windcreens and burned-out military transport trucks dragged back from the day's action.

On one side of a quadrangle of barracks were piles of primary cocaine processing material - sacks of lime, jerry cans of kerosene, bottles of sulphuric acid. On the other, a large squad of soldiers was being issued with riot gear - helmets, batons, shields and tear gas canisters.

Flying low over the palm trees and jungle surrounding the base, helicopters shuttled back and forth with men and material. All over Chapare roads were blocked,

government buildings were being destroyed, and spear-wielding, dynamite-throwing peasants were clashing with Umopar troops.

The Commandante, though, was putting a positive face on it. A well-built, thick-set man with a heavy moustache, he wore a black T-shirt and a pistol at his belt. Embroidered on his chest was the Umopar logo - a crossed dagger and M-16 rifle, and the legend *Leopordos*.

"The new campaign is achieving results," he asserted. "In one month the Leopards have destroyed 255 pozos - the coca leaf maceration pits in which the cocaine refining process begins. Also 246 kilos of cocaine paste, and 755 litres of *agua rica* - liquid cocaine concentrate. It is the biggest operation we have ever mounted."

But, the Commandante assured me, now was no time to go out looking for pozos -

the *cocaleros*, or coca leaf growers and processors, were on the war path. To convince me, he led me across the heat-baked quadrangle to a room full of objects seized from Chapare's "ant army" - the hundreds of men, women and children who surreptitiously carry cocaine out along trails and forest tracks. There were narco-shoes with hollowed out heels, narco-bills with no text between Genesis and Exodus, even stuffed and sewn-up narco-chickens.

But the Commandante wanted to show me a bomb, a five-gallon cooking-oil tin filled with glass, stones and explosives, attached to 100 yards of wire with a car battery at the other end.

"It is primitive but effective," he said. The traffickers like to surprise us on jungle paths. They are well organised, have better arms and better communications than we. Worst of all, we do not know who

they are - often the little children sitting by the roadside are not as innocent as they look - they are narco-lookouts."

Narco-politicians in La Paz, narco-children in Chapare... was there nothing in this part of the world to which that prefix could not be attached? The Commandante persuaded me to wait until things calmed down and I went off to find out about Chapare's narco-economy with Jenny Ortiz of the United Nations Drug Control Programme.

□ □ □

The UNDCP is the United Nations' biggest undertaking in Bolivia: it is devoted not to drug enforcement and eradication, but to alternative development - to creating economic opportunities other than coca cultivation for the Indian families of Chapare.

In the last few years all sorts of occupational schemes, as well as road, electricity and water supply networks, have been initiated by the UN. Banana, citrus, tea, cassava, aromatic plant and dairy projects have all been established. None have provided a real solution. The simple fact remains that with four coca harvests a year bringing in between \$1,200 and \$1,500 a hectare, there is no peasant activity in Chapare as profitable as coca cultivation. In spite of all eradication efforts, last year saw a net increase in coca cultivation.

I had lunch with Jenny Ortiz at Doña Gaetana's restaurant, a palm-frond shack on the edge of the village of Chimore, headquarters for both Umopar and the UN. Doña Gaetana is an enormous Indian woman with long black braids, gold-filled teeth, and a liking for birds and flowers; two brilliant green parrots sat in the orange trees beside the shack and watched us as we ate. None of this exotic colour, though, did much to hide the surrounding poverty. Chapare is the poorest region in the poorest country in Latin America.

Jenny no more believes in the benefits of cocaine than does Bill Clinton, but after years spent working in Chapare she understands the peasant point of view.

"You don't pose moral questions on an empty stomach," she said. "There are few genuine markets for most of the products we are trying to persuade the peasants to grow. In Ibragama, where Umopar helicopters fired machine guns over the heads of 40,000 demonstrating peasants yesterday, Scandinavian Pentecostals built a 50,000 litre-a-day dairy - all we have to do now is persuade Bolivians to keep cows and develop a taste for milk. We are trying to offer a better life to peasants, but survival now means much more to them than development over five years. The problem remains the high price offered for coca."

Down the road, 300 yards from Doña Gaetana's, the focus of activity in the centre of Chimore is the tin-covered coca market. Here coca leaves, piled in great mounds or packed in 100 pound bags, are bought and sold daily under the noses of passing Umopar patrols. Everywhere you drive in Chapare you find vast stretches of roadside coca fields and harvested leaves being dried outside village houses. There is not the slightest attempt at concealment.

If poverty gives impetus to the cocaine trade, so does the coca leaf's confusing legal status. Coca has been chewed as a stimulant by Andean Indians for thousands of years. Its use in Spanish colonial times was encouraged in order to exact the maximum work possible in fields and mines. Its use more recently has been vigorously defended by powerful domestic interests seeking profit or political support. Most Bolivians regard coca as a valued part of their cultural heritage; some still speak of the "sacred leaf".

Today coca is both legal and illegal. In 1988 the Bolivian government, under international pressure, passed a law setting aside 12,000 hectares of coca for legal use -

Continued on Page VIII

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Dien Bien Phu: a visit to the French fortress forty years after its fall

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### The Long View / Barry Riley

## The neutral zone



Now the squeeze is on in earnest. Gilt-edged yields rose to 8 1/2 per cent at one stage this week. This, if you believe in the government's central inflation target of 2 1/2 per cent or less (apparently few do), implies a real long-term interest rate of almost 6 per cent. UK equities yield only around 3.7 per cent, and are willing under the competition.

Domestically the local government elections have not helped, by providing a reminder of John Major's frailty. With another month of Tory tensions to come, ahead of the elections for the European Parliament, the political background is not going to get any easier. Michael Portillo's sneers at the single European currency have served to emphasise just why sterling tends to move with the dollar rather than the D-Mark and the other continental currencies. In the midst of a developing dollar crisis, sterling may be a side-show, but one where casual passers-by are tempted to knock off a coconut or two.

New readers start here. Last year the Bank of England eagerly sold £14bn worth of gilts to foreigners as yields tumbled from 9 to 6 1/2 per cent. Most of those foreigners were feeding off a bond market bubble created by the US Federal Reserve which was pumping unlimited quantities of dollars at 3 per cent into the global financial system. Now the Fed is cranking up interest rates and the bubble has burst.

All bond markets around the world are in disarray but gilts have suffered worse than any other major national market: yields on 10-year German bunds, for instance, have only risen by 80 basis points (hundredths of a per cent) since the beginning of the year against 210 basis points on 10-year gilts (and 130 basis points on US Treasuries). An important reason is that after years of relatively high inflation and much better equity returns there are few substantial domestic buyers of sterling bonds: private individuals by and large

do not buy them, and nor do pension funds, which bought only £2.7bn out of £50bn issued in 1993.

*Memo to Eddie George, governor of the Bank of England:* Urgent discussions should be held with the Department of Social Security, now finalising a White Paper embracing many of the recommendations of last year's Goode Committee Report on pension law reform. This could be a heaven-sent opportunity to impose a really tough minimum solvency standard on pension funds, forcing them to buy more gilts.

Another reason for the cilly-wobbles in the gilt market is that there are ominous signs of the onset of an old-fashioned sterling crisis; already sterling has softened by 3 per cent so far this year, in terms of its trade-weighted index.

The UK is cyclically out of step with its main trading partners in continental Europe, leading to strength in imports but weakness in exports, and the monthly visible trade gap appears to be running at more than £1bn. Meanwhile three-month sterling interest rates offer no premium over continental rates at about 5 1/2 per cent, and although there is still a margin over three-month dollar rates of just under 4 1/2 per cent, this may not last for long.

The dollar, after all, has its own big problems. Another rescue effort was mounted by the major central banks this week as the beleaguered US currency threatened to crash down through the 100 yen level. Whereas Alan Greenspan, chairman of the US Federal Reserve, appears to have had in mind a leisurely timetable for raising short-term interest rates a quarter of a percentage point at a time, the recent pressure on the dollar must have added some urgency to the promised transition from monetary permissiveness to what Greenspan has unspectacularly referred to as a "neutral" stance.

What does neutrality mean here? Many economists believe that a 5 per cent Federal funds rate would be a reasonable target (the current 3 1/2 per cent

rate is expected to rise at least to 6 per cent around the time of the Fed's Open Market Committee meeting on May 17).

But according to David Shaw, investment strategist at Legal & General, an analysis of the last five US business cycles extending back to 1980 shows that a neutral ratio for the growth rate of nominal GDP to the three-month dollar interest rate has been 1.15.

Given that nominal GDP is likely to grow by about 7 per cent over the next year, a three-month interest rate of 6 per cent is indicated by mid-1995 (equivalent to a Fed funds rate of perhaps 5 1/2 per cent). Moreover, later in the economic cycle the Fed is likely to tighten its policy further.

Japan and Germany will be able to brush aside these coming rises in US interest rates. Their recent common problem has been the excessive strength of their currencies against the dollar. But the UK, unable to survive within the European exchange rate mechanism, could be in a quite different position.

Traditionally, sterling drifts somewhere in between the dollar and the D-Mark, and the present cyclical position of the UK economy suggests that the dollar will have a stronger pull in the near term. Only a sharp and unexpected improvement in the UK's balance of payments would avoid the need for some tough decisions on interest rates later this year.

Running deficits can be fun when they are easy to finance, but foreign creditors tend to have their own agenda. While Chancellor Kenneth Clarke was trying to loosen monetary policy in February the turmoil in the gilt-edged market was imposing a new squeeze which resulted, for instance, in a jump in fixed mortgage rates.

John Major may want to reflect on the paradox that although Japanese governments and prime ministers come and go the yen goes on strengthening regardless. On the basis of the markets' reaction to the election results yesterday, Major's fall would certainly not be viewed with any great alarm.

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## MARKETS

## London

## BP springs a pleasant surprise

Maggie Urry

The big surprise this week came not in the ballot boxes – the Tory showing in Thursday's local elections was expected to be pretty bad, and indeed it was – but in the announcement of British Petroleum's first quarter dividend payment, also on Thursday.

A rise of nearly a fifth, the first increase since BP cut its dividend two years ago, came as a most pleasant surprise for a stock market which has become bogged down in fears about the macro-economic picture.

The increase underlines the fact that dividends have gone up by more than expected in the latest round of results. Mark Brown, equity strategist at Hoare Govett, reckons that from the results seen so far from 80 large industrial companies dividends have risen in aggregate by 10 per cent, which compares to a forecast in January of 6 per cent.

This has persuaded investors to raise their expectations of

dividend rises in 1994. According to the monthly Gallup survey of institutional investors' views, predictions for 1994 dividend increases from all quoted UK companies, have risen from 4.3 per cent in October last year to 7.4 per cent last month.

Growth in dividends ought to support the stock market – after all the fundamental purpose in holding shares is to receive a cash return. Brown puts the corporate generosity down to companies not knowing what to do with their mounting cash.

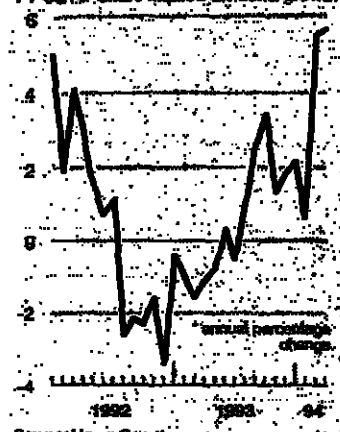
The corporate sector's financial position has improved markedly over the last few years, partly because of rights issues, and now companies are generating more cash than they know what to do with.

Companies are not, it seems, investing more, according to the latest CBI survey on investment intentions. So cash is going into higher dividends and takeover bids.

More bids appeared this week, with the emphasis again on buying outside the UK.

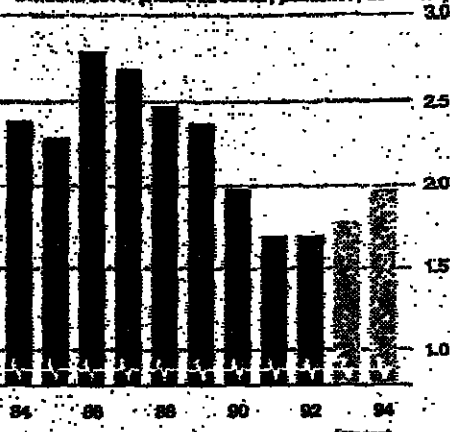
## Corporate generosity abounds

FT-SE All-Share implied dividend growth



Source: Hoare Govett

Dividend cover (industrial sector, published, actual tax)



Source: Hoare Govett

SmithKline Beecham is paying \$2.8bn to buy a US drug wholesaler, while Wassell, the conglomerate, is buying a US cable maker for \$270m, partly financed by a rights issue.

However, the Footsie fell for the first half of this week to 3070.5 on Wednesday, a low for the year and nearly 15 per cent off the peak at the start of February. The main worry was the narrow money figure published on Tuesday, which showed M0 had risen by 6.2 per cent in the year to April.

This is well above the Government's target range of 0 to 4 per cent for the indicator, and above market expectations. The gilt-edged market took the news badly and between Tuesday morning and Wednesday evening the yield on 10-year gilts had risen from just under 8 per cent to 8.4 per cent.

Turmoil in the currency markets, with the dollar requiring

concerted central bank support did not help. The fear was that US rates could rise again to hold up the dollar and this would mean UK interest rates rising again. Hopes for one last quarter point cut in base rates were fading fast this week, and money markets are now discounting a significant rise in rates by the year end.

It is here that there is the biggest discrepancy between market watchers' views. On the bearish side are the likes of Nick Knight, strategist at Nomura International. Having been a superb bull until the market turned, Knight is now concerned that base rates could be rising sharply.

The stock market was largely ignoring the local government elections, rising on both Thursday – thanks to BP – and Friday – until a weak opening on Wall Street dragged it down to its opening level – although not sufficiently to offset Tuesday and Wednesday's falls. But Knight took the results to mean that the Tory government will now have to hold off a general election until the last possible time, spring 1997.

If that is the case, he argues, the government needs to tighten policy now – by marching interest rates up – so that there is scope to loosen again later by marching rates down before the election.

Without higher interest rates, and possibly even with them, he says, sterling will come under pressure. And that would push gilts and equities lower. At best, he believes, the Footsie will be little changed over the summer months, and it could go much lower. That being the case, his advice is to sell and put the cash on

deposit for a higher return.

An opposing view is taken by Michael Hughes, managing director of economics and strategy at BZW. He sees the local elections as largely irrelevant, unless they scare international investors. And he says there was a better tone to the market this week with buyers coming in on weakness in the Footsie.

He believes US interest rates will not rise beyond 5 per cent and UK inflation will stay below the 6 per cent threshold at which it has, in the past, got out of hand. With the earnings yield at 7 per cent and gilt yields above 8 per cent – a growth rate actuaries often apply to pension fund liabilities – he is comfortable with the level of the equity market now.

His concern is more that the economic recovery is already nearing its peak, with growth in 1995 perhaps no stronger than in 1994. If there is a negative for the market, he asserts, it is that growth might fall, not that interest rates will rise.

There was no sign of a faltering of corporate profit recovery in this week's results though. Aside from BP's healthy profit rise, Tate and Lyle, the sugar and sweeteners group, increased profits over 20 per cent in its first half year, while BAT Industries, the tobacco and insurance giant, lifted first quarter profits by a fifth as well.

Even Body Shop International, the toiletries and cosmetics maker and retailer, confirmed its critics with an underlying rise of a third in profits for the year.

But it will take more than one of Body Shop's potions to restore John Major's fortunes.

## Serious Money

## Democracy rears its head at Lloyd's

Gillian O'Connor, personal finance editor

Democracy at Lloyd's sounds like a contradiction in terms. But that does not make it any the less welcome. This week's plan to first enfranchise the Names, and then examine ways they can sell their membership rights, is long overdue (see page 11).

Previously, although the Names have put up the capital and shared the underwriting profits – or, more recently, losses – they have had none of the other rights of ownership. All the power has been with the agents who manage the underwriting syndicates. Some have notoriously abused this power.

What is more, running an underwriting agency has created a valuable asset for the agent, participating in the actual underwriting syndicates has not. It is a rather neat inversion of the normal roles of capital and labour.

The blueprint for change is designed to remedy this imbalance. The one obvious objection so far is that it comes too late to be of any help to the Names who have been ruined by their losses.

Other niggly problems are bound to arise as more detailed proposals are hammered out. Names and managers alike will argue that they should have a bigger slice of the cake, whatever that total cake might prove to be worth. The Names will claim that it is their capital which is at risk. The managers will argue that it is their skill that keeps the business going. The fact that five syndicates already have sacked all their Names, while they still had the power to do so, is hardly an encouraging portent.

Many individual Names are understandably embittered by now, and need reassuring that they are not going to be eased gently out of their syndicates in favour of corporate members, whom many agents prefer. That would leave them

unable to take advantage of a better underwriting climate to earn back some of the money they lost in the bad times.

The latest proposals should go a long way to assuage their fears. Members can appeal against being sacked by their syndicates and have pre-emptive rights to their share of any increase in business.

Underwriting should also be a bit less hairy in future. The idea of weighting capital requirements according to the riskiness of a syndicate's business seems painfully elementary. The Financial Services Act has long demanded that advisers know their clients and do not put vulnerable people into unsuitably risky investments. Some Lloyd's agents appear to regard such scruples as whimsical, but risk ratings should do the job for them.

If all goes well, being a Name at Lloyd's should be rather less of a white knuckle ride in future. But much of the interest in the new blueprint inevitably will focus on its suggestions for golden handshakes: selling membership rights.

Some people are arguing already that this part of the proposal is just pie in the sky – a cynically unrealistic bait designed to keep recalcitrant Names aboard while they can be useful. But let us give Lloyd's the benefit of the doubt just one more time.

What would membership be worth? The market's losses have been so monstrous, and its reputation is so tarnished, that it is hard to imagine members in even the more profitable and reputable syndicates fetching a price in line with the size of their business. And anyone in a poor syndicate will get only a pinch-pot handshake when he leaves.

But the biggest bugbear is likely to be the very limited market in which members can sell their rights. Lloyd's itself says that it is unrealistic to

expect the amount of transfer business to justify a proper market-maker and reckons that periodic auctions, in which all members get the same price, look the best bet. Not a very alluring prospect.

But at least Lloyd's is heading in the right direction for a change.

Any building society member who was dreaming of a C&G bonanza from one of the other societies will have had a cold shower of reality this week. The Northern Rock/North of England merger looks set to bring North of England members an average of £50 apiece compared with the £650 they might have got if there had been an outside bid for the society. Northern Rock members get nothing.

The proposal is a useful reminder of two things. First, not all building societies are equal – any more than all Lloyd's syndicates are equal. Efficient and profitable societies, such as C&G, may be able to find suitors who will pay a handsome bride price. Less efficient, less profitable societies will not. C&G's expense ratio is well below average at 26 per cent. North of England's is a hefty 54 per cent.

Second, building society members are unlikely to get the best price unless their managements secure it for them. The idea of soliciting a bid does not seem to have occurred to the managers of Northern Rock or North of England. The two societies explain the deal as "a traditional building society merger about traditional building society values."

True, many members do seem to value the societies' mutual status. But some would have sold their birthright happily so long as the mess of potage was big enough. The concept of mutuality can no longer be taken for granted – except by building society and life company managers.

## HIGHLIGHTS OF THE WEEK

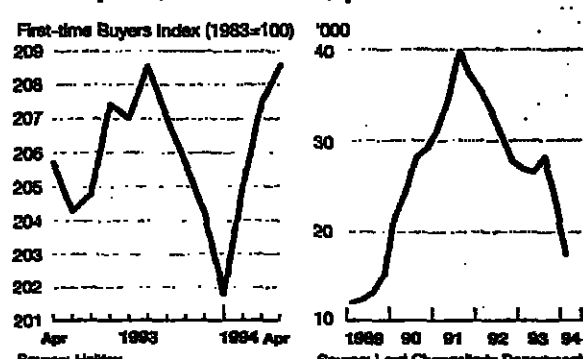
	Price	Change	1994	1994	
	YTD	on week	High	Low	
FT-SE 100 Index	3106.0	-18.3	3520.3	3070.5	Dollar uncertainty
FT-SE Mid 250 Index	3771.0	-10.1	4152.8	3752.9	Local election uncertainty
Abbey National	416	-20	523	413.5	Broker "sell" recommendation
Alstom	465	+36	578.4	417	Institutional presentations
BAT Inds	447	-22.4	570	435.4	Dollar concerns
BP	403	+17	408	340	Excellent results/div up 19%
Boots	582	+14.4	601	504	Do it All cuts speculation
British Airways	416	-11.4	498.4	399	April traffic figs disappoint
Courts	549	-27	580	470	Kleinwort "sell"
Dickie (James)	150	-13	173	95	Chief executive reduces stake
Eurotunnel Uts	450	-49	665	448	Channel Tunnel safety worries
London International	119	+15	173	101	Bid speculation
Reuters	487	-44.4	539.4	438.4	Stake sale
Rolle-Royce	193.4	-10	204	161	Co denies it forecast div rise
Sainsbury (J)	384	+21	480	342	BZW positive

## AT A GLANCE

## Finance and the Family Index

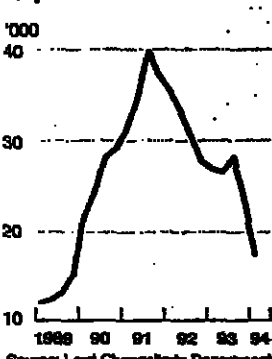
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- New issues ..... IV
- Car insurance on the Continent ..... V
- Pensions: should you opt out? ..... VI
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## House prices



Source: Halifax

## Repossession orders



Source: Lord Chancellor's Department

## Building societies disagree on house prices

The two largest building societies, while agreeing on the size of house price movements in April compared to the previous month, disagreed on their direction. Halifax's seasonally adjusted figures showed a drop of 0.2 of a percentage point while Nationwide reported a 0.2 point rise. Halifax also reported that prices paid by first time buyers were half a percentage point higher last month, following sharper rises of 1.6 point and 1.3 point in February and March.

Figures from the Lord Chancellor's Department showed that orders for mortgage repossession have fallen to their lowest level since 1988. County courts in England and Wales made 17,522 orders for repossession in the first quarter of the year compared with 23,648 in the last quarter of 1993. The number of actions commenced also fell sharply.

## Gartmore change charges

Gartmore has increased the initial charge on its personal equity plan from 2 per cent to 3 per cent and dropped the early withdrawal charges it introduced two years ago. The annual charge remains 1.5 per cent (apart 1.25 per cent on the single company Pep). Gartmore is also offering investment across a range of its funds through its Global Pep for a £3,000 minimum. One quarter of an annual Pep allowance can be placed in funds which are outside the EC.

## Directory of unit trusts

A new directory of unit trusts has been published by Professional and Business Information. The Unit Trust Industry Review and Directory 1994 lists all the fund management groups with information on their funds and performance comment. There are industry statistics which include sales and distribution figures. The directory costs £375 (£280 to past buyers) from PBI, Munro House, 14 St Cross Street, London EC1N 8YY and is available in most university and main libraries.

## Smaller companies slip back

Smaller company shares slipped back slightly this week. The Hoare Govett Smaller Companies Index (capital gains version) lost 0.3 per cent to 1753.02 over the week to May 5.

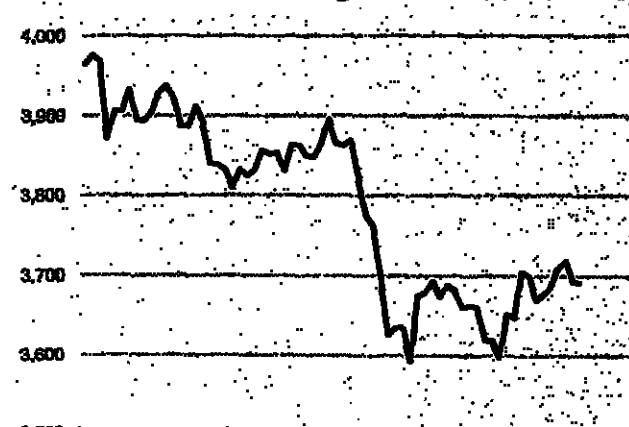
## Key questions for an adviser

NEXT WEEK... Joanna Staughton will end her series on fee-based financial advisers with an article drawing together her findings and advising readers on what to look for, and what questions to ask, when choosing a fee-based adviser.

## Wall Street

## Traders drop the baseball and hit the dollar

## Dow Jones Industrial Average



Source: FT Graphix

the dollar to the discount rate. Yet, if the Fed raises rates to boost the value of the dollar, bond prices will probably drop, which will only make the market more unattractive to overseas investors.

No one, of course, ever suggested the job of a central banker was easy, but the people at the Fed must be extremely unhappy that the delicate task of holding off inflation without undermining

the economic recovery has been made that much harder by the dollar's travails.

However, if the Fed has been hesitating over a dollar-inspired rate increase because of what it might do to the bond and stock markets, its hand may be forced into another tightening once yesterday's April employment report has been fully digested by the policy makers.

Anticipating a rise in non-farm payrolls during April of somewhere close to 195,000, Wall Street analysts were shocked yesterday when the Labor department announced that payrolls had jumped by 267,000 last month. The drop in the national unemployment rate from 6.5 per cent to 6.4 per cent also caught the markets by surprise, as did the upward revision in the already extremely strong March payroll numbers.

The reaction from the bond market was instantaneous – the price of the benchmark 30-year bond dropped over 2 points, and the yield climbed to more than 7.5 per cent – and indicated that investors believed the data would push the Fed into another interest

rate increase. Share prices quickly followed bonds lower yesterday, and by midday it appeared likely that the Fed would tighten policy again – if not immediately, then probably some time around the May 17 meeting of the central bank's Open Market Committee.

If the employment report spoiled the stock and bond markets, it at least allowed traders and investors to forget temporarily their worries about the dollar. After an initial burst of activity, following the release of the jobs figures, trading on the currency markets in New York was relatively quiet, with the dollar slipping slightly from its overnight levels. Any support the currency might have received from the likelihood of an interest rate increase was offset by the unwillingness of foreign investors to buy dollar assets such as US stocks and bonds.

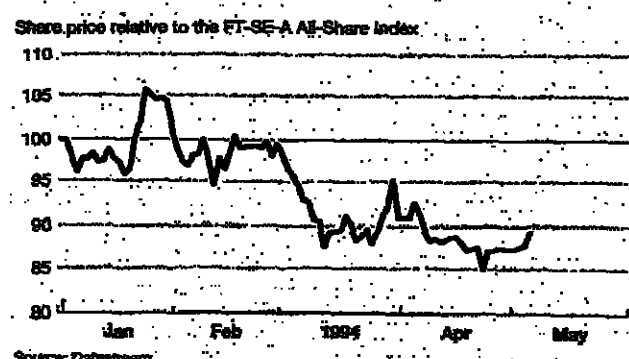
## Patrick Harverson

Monday	3701.02 + 19.33
Tuesday	3714.41 + 13.39
Wednesday	3697.75 - 16.66
Thursday	3695.97 - 01.78
Friday	

## The Bottom Line

## Bank that stuck to banking

## Bank of Scotland



Source: Citicoream

has dominated from the start of this year when its share price fell from a peak of 246p to yesterday's level of 186p. This was because it was seen to have less spare capital than banks such as Abbey National and Royal Bank of Scotland to give back in dividends.

long-term dividend growth. "I quite like the stock as a long-term, very safe, source of dividends," says Hugh Fye, an analyst at BZW, Barclays' investment banking arm. He argues that the bank's relative lack of capital is an advantage because it is less likely to waste its money on a poor acquisition.

Fye points to Bank of Scotland's ability to carry on growing its loan book in England, and benefit from further reductions in its bad debts. He also says it has plenty of scope to raise income by selling customers other products, which would help to boost staff productivity.

Yet reassuring as this may be, Bank of Scotland shares are not a cheap source of dividends. The bank's gross yield was 3.4 per cent yesterday, a slight discount to the FT-SE All Share. The sceptical orphan

might wonder why he or she should trust any bank more than the average public company.

Terry Smith, a banking analyst at Collins Stewart, says that Bank of Scotland has yet to prove that it can generate enough capital through retained earnings to sustain growth both in assets and dividends. He recommended his clients to sell Bank of Scotland shares when they were at 240p.

Yet in spite of some scepticism, Smith thinks that this could be the time to reinvest. He says he feels uncomfortable not to have it among his recommended shares. "It is a well-managed bank, and its shares are never going to fall to the point where they are screaming cheap," he says.

Even those who are not widows or orphans might think about Bank of Scotland as part of an equity portfolio, according to Fye of BZW. "It is the sort of thing you should have as a long-term core hold. I see it as something to buy for the kids so that they can keep it for 15 years," he says.

John Gapper



## FINANCE AND THE FAMILY

# How Lloyd's aims to boost its Names

Richard Lapper examines far-reaching proposals intended to unlock the value of London's hard-hit insurance market

The Lloyd's insurance market this week published an exciting blueprint for giving Names - individual underwriters - "sitting tenant" rights which they may be able to sell eventually for cash or securities.

This is the first time Lloyd's has admitted that Names have built up any right to a continuing stake in the enterprise. Assuming a series of complex legal, regulatory and tax hurdles can be overcome, the proposal could mean that:

Members who wanted to get out of the market could get some cash in return for giving up their place.  
They could swap their existing places in specialist syndicates for units in a wider pooled scheme, or shares in a corporate syndicate.

Robert Hiscox, the market's deputy chairman, says: "Nobody has ever said how much a Lloyd's syndicate is worth. The whole objective is to unlock the value we have in the business."

The reforms could be far-reaching, although there is little comfort for Names who have been forced out of the market already by their losses. And, in order to benefit, even Names who continue to trade must be solvent and have paid any outstanding cash calls by July 29 this year.

The basic idea behind the reform is simple. Theoretically, the 179 syndicates trading at Lloyd's are annual joint ventures. They are made up of many individual Names, trade on the back of their guarantees, and dissolve at the end of each year when they distribute the profits or call in the losses relating to that year's trading. The interest of Names at present is confined to these profits or losses.

In practice, though, Lloyd's syndicates are businesses which - like insurance companies - have long-term plans and often insure many of the same customers year after year. Good syndicates can command considerable customer loyalty.

Like any continuing business enterprise, ownership of a syndicate is worth money. The larger, more respected and more profitable it is, the greater its value. Lloyd's is now trying to devise a system under which Names can acquire a portion of this long-term value.

There are two stages to its plan. First, it must be sure that certain syndicate rights, which turn Names into quasi-shareholders, are vested in them. Then, it has to create a market in which those rights can be traded, swapped or cashed in. But this will be a long-term process, and the outcome is far from clear.

**Creating value**  
This week, Lloyd's announced the first stage of its plan: the basic measures, to be implemented in 1995, are pre-conditions for establishing a market in membership rights. In essence, these reforms - which will be introduced in 1995 and 1996 - make "syndicate participation" more solid and durable. So, it becomes a valuable asset to the Name.

Members would have far more security of tenure. If the agent running a syndicate attempted to sack individual Names, they could appeal to Lloyd's council. The plan would also give them pre-emption rights over their syndicate participations.

This means that if a syndicate decided to increase its capacity (the amount of business it underwrites), the Names would have the right to increase their share of the extra business in proportion to their stake.

Take a Name underwriting a £10,000 share in a £1m syndicate: he would be able to increase his share to £11,000 if the syndicate increased its capacity by 10 per cent to £1.1m.

Names would also have more control over decisions by their syndicates to increase capacity, and would have to approve any increase in capacity of more than 15 per cent. This is important, because syndicates would find it harder to dilute the stake of existing Names by increasing capacity so much that the Names could not afford to take up their pre-emption rights.

**Allocating capital**  
Lloyd's intends to play a more active role in making sure that capital is allocated more efficiently. It will do this by introducing risk weighting so that the amount of capital required to support a syndicate increases in line with the riskiness of its underlying business.

Syndicates underwriting high-risk business (such as catastrophe re-in-

surance) would need more capital; those writing relatively low-risk business, such as motors, correspondingly less. So, individual Names would not find themselves in syndicates where future claims might be beyond their means.

Lloyd's is less definite, however, about a series of other measures which are geared in one way or another to establish a market place in which syndicate participations can be bought and sold.

**Transferring value**  
The central issue here is whether Names can "assign" their participations on syndicates - effectively, transferring or selling them to another Name or to a corporate investor.

Peter Middleton, Lloyd's chief executive, argues that assignment is "likely to be the fundamental building block for any system of value". But Lloyd's concedes that "a number of important issues need to be resolved before assignment can be brought into effect".

**Realising value**  
The report describes three possible mechanisms:

□ A market administered by Lloyd's. Options include a "matched bargain system" in which sellers are matched with buyers; or a fully fledged market-making system in which a professional market-maker is required to quote prices for all syndicates in which he deals.

The report concludes that a one-off, auction-based tender system, in which all sellers of a particular syndicate get the same price, is the most likely option in the short term. It says that the trading volumes would probably be too low to support a cost-efficient market-making mechanism.

□ Corporate pooling in which Names would "assign" their future syndicate participations to a corporate member in exchange for shares, securities or cash.

This type of arrangement would allow Names to spread their investments across a number of syndicates, as they do now in members' agency pooling arrangements, or Maps - a kind of unit trust. With the new corporate arrangements, though, Names

## Turning Lloyd's membership into cash



would enjoy the additional advantage of having limited liability.

□ Corporate syndicates in which members would assign future participations to a corporate member, again in exchange for shares, other securities or cash.

Corporate Names account for about 15 per cent of Lloyd's capacity this year following the successful intro-

duction last year of corporate funds. But corporate Names are restricted from providing any more than 25 per cent of a syndicate's capacity, while syndicates can obtain no more than 50 per cent of their capital from corporate Names. The new corporate syndicates would, effectively, be insurance companies operating within a Lloyd's framework.

## Merger splits investors

Chris Tighe reports on the latest building society link-up plan

This week's announcement of a proposed merger between the Northern Rock and

North of England building societies again throws the spotlight on the financial sweeteners - societies prefer the word bonuses - which members may be offered to support such deals.

Last month's announcement that Lloyds Bank wanted to take over the Cheltenham and Gloucester increased the stakes. If that take-over overcomes the regulatory hurdles, C&G voting investors can expect an average payment of £1,700, with the biggest savers getting a maximum £10,000.

In the Northern Rock/North of England merger, bonus payments will not be on the C&G scale, although their size has yet to be decided. For many members of the two Tyne and Wear-based societies, however, the most interesting point in this deal could be that, while the North of England's 272,500 investors and borrowers will be offered a sweeter, the Northern Rock's 1.3m will not.

The reason? Although North of England is much the smaller of the two, with assets of £1.5bn against Northern Rock's £7.3bn, it has a larger reserve ratio - 5.45 per cent against the Northern Rock's 4.3. Since the merger will dilute the North of England's reserve ratio, members are to be compensated.

Many Northern Rock members are not impressed with this argument, judging from customers' reactions at one of its biggest Newcastle branches this week. "I think we should get something," said Alistair Brown, of North Shields, a Northern Rock saver and mortgage-holder. He warned that the disparate treatment could affect the way he votes in August when both societies' members will be balloted for their support.

Lynn Gatenby who, with her husband, has a mortgage at the North of England and savings in the Northern Rock,

was philosophical: "You can't win all the time." She added: "Together, they will be stronger."

But graphic artist Robert Carr and his wife, Maureen, both of whom save with Northern Rock, were less philosophical. "We should get the same benefit," Carr said. "And if they can afford to buy the North of England, they can afford to give a lower interest rate on mortgages and higher interest on savings."

At the North of England, there seemed less unease - and there was no sign that the sums talked about in the Lloyds/C&G deal had turned heads. "I don't think the bonus will come to very much," said mortgage and account-holder Jean Marron.

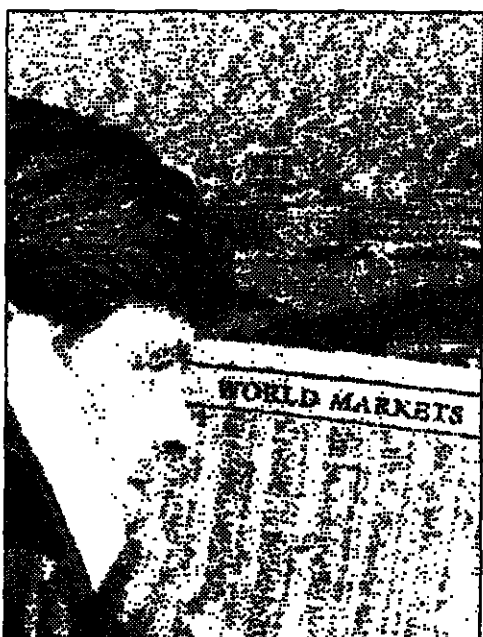
Butcher Phillip Spoor, a North of England saver, supported the merger. He thought a bigger bonus coupled with loss of mutual status, on the lines of Lloyds/C&G, would be acceptable, too.

Janet Kean, a housewife who saves with the North of England, disagreed. While likely to vote for the merger, she would not have welcomed a bigger bonus and loss of mutual status. "I prefer a building society to the banks. I have more control over my money with a building society."

Carr also felt building societies were "far friendlier" than banks: he was worried that the trend to bigger societies would lead to poorer service, with machines replacing counter staff.

Fears about the seemingly relentless merger tide were voiced, too, by Northern Rock current account-holder John Harrison, a legal executive. He warned that bonus payments might be a short-term gain. "It's very worrying - the number of building societies is getting smaller and smaller," he added. "Eventually, there will be so few that there will be a virtual monopoly among them and interest rates and investors will suffer."

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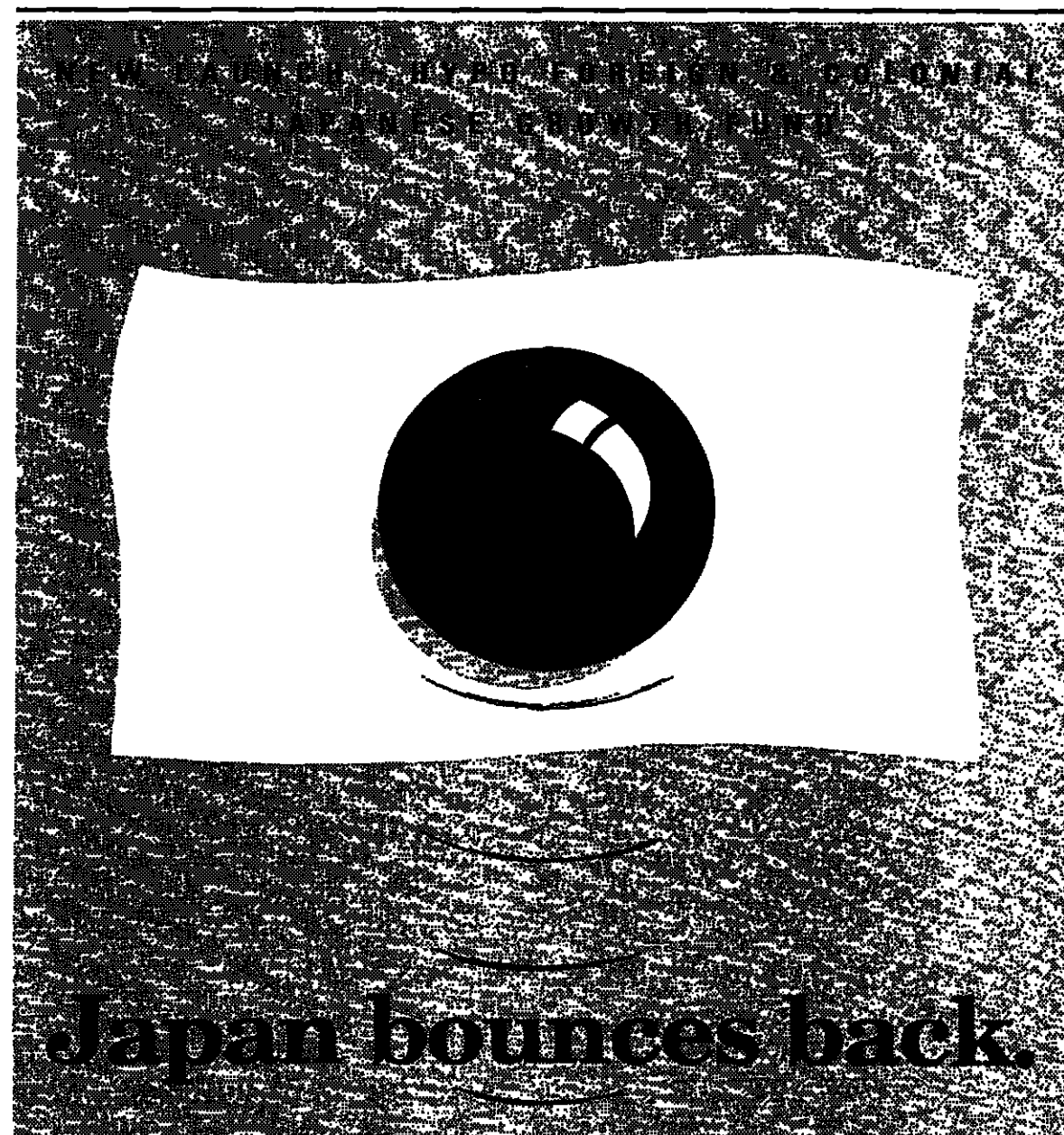
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## FINANCE AND THE FAMILY

## Drive safely on the Continent

Bethan Hutton  
has some tips  
for drivers

Although the Channel Tunnel opened for a very exclusive clientele this week, it will be a while before British drivers start pouring through the Channel en masse. But thousands of drivers will pile on to ferries and hovercraft this summer.

In a continental Europe supposedly without borders, you might think driving there should not require any more special planning than a long-distance trip within the UK. Unfortunately, car insurance and breakdown cover which are perfectly adequate in the UK can leave you exposed to all sorts of trouble a few miles across the Channel.

Green proof-of-insurance cards were not consigned to the dustbin at the end of 1992. French police have been known to fine foreign motorists caught without one far more recently. And police in Spain can jail you after an accident, so it is wise to travel with a bail bond.

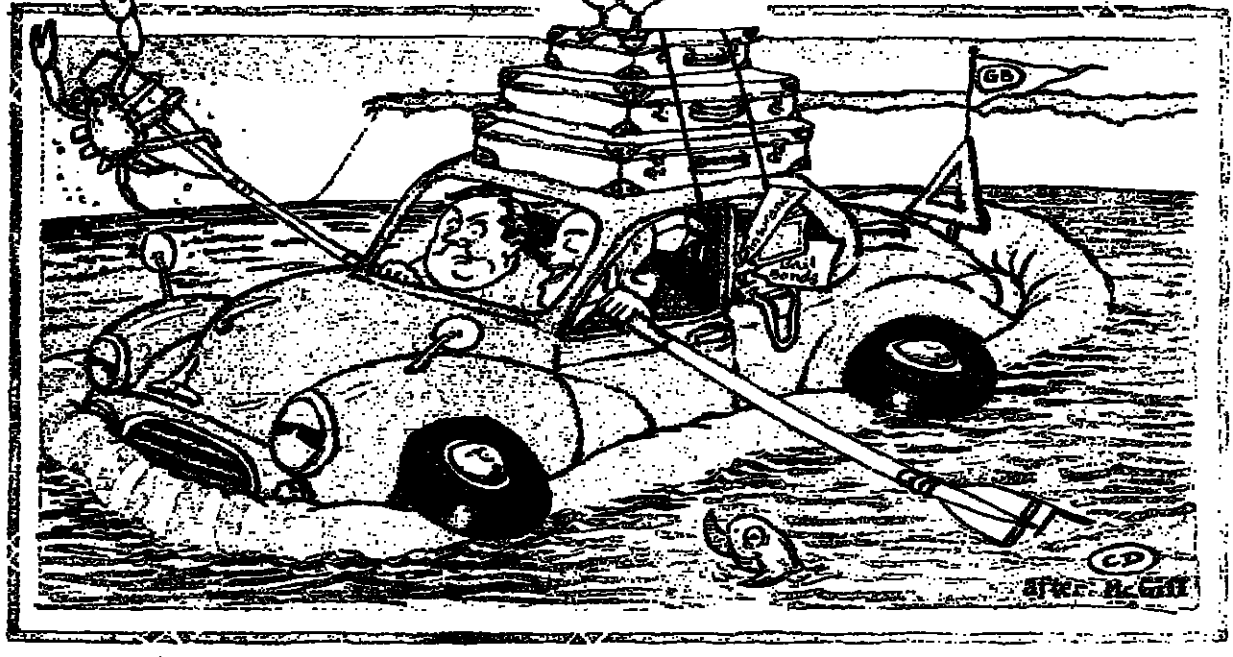
Breaking down on the M25 is enough of a nightmare - but being stranded on the hard shoulder of the Paris ring road could be 10 times worse. The biggest selling point for the AA, RAC, Europ Assistance, National Breakdown and the other rescue services is the promise of a friendly, English-speaking voice on the other end of the emergency telephone who can summon help anywhere in Europe.

Some of the services have their own rescue patrols, while others use a network of local companies. All promise a speedy roadside response and will tow your car to a service station - or, if necessary, return it to the UK. Extras to look for are: emergency credit facilities; additional accommodation costs; car hire or other onward travel costs; despatch of spare parts from the UK; and provision of a driver if the only one in your group is incapacitated.

The AA charges £30.50 for one week's car-only Five Star

"Just relax and enjoy  
your holiday..."

"I'm fully prepared for  
any little accidents!"



cover for Europe while the RAC's equivalent Eurocover costs £40.95 for between five and nine days (£3 off for existing RAC members). National Breakdown's Blue Riband scheme would cost £31.25 for the same period and Europ Assistance would charge £25.50 for seven days. If you just want to go to Ireland, it could cost less. There are often supplements for cars more than 10 years old, and caravans or trailers.

Carrying a green card is no longer a strict legal requirement (although this message might not have filtered through to the more rural police forces), but it is still sensible to take one in case you have an accident or are stopped by police. You should always tell your insurance company before taking the car abroad; otherwise, you could find your cover restricted to the third party legal minimum.

If you have comprehensive cover in the UK, you will probably want to extend this for overseas trips. Some insurers

include European cover free while others charge up to £50, according to brokers Telesure. A few, such as General Accident, issue a European certificate automatically with policy documents. Very frequent travellers or those spending extended periods abroad - such as second-home owners - may have to make special arrangements with their insurance company.

Most of the breakdown cover packages allow you free rein to wander as far afield as Moscow or Morocco, but a few corners of Europe are out of bounds: the former Yugoslavia and Albania are among likely exclusions. If you are planning an adventurous itinerary, check before you go.

Insurers can be more restrictive, and some start charging more than their standard European rates if you venture into, say, Turkey or Romania. As usual, it is best to make inquiries before setting off if there is a chance you could stray outside the European Union.

Some pieces of equipment,

such as a warning triangle and in-car first aid kit, are compulsory in many places and recommended in any case. There are also a few quirks you should know about. It is illegal to carry spare fuel in Italy, Luxembourg, Greece and Turkey, and you must carry spare headlamp bulbs in Spain.

Motoring organisations such as the AA and RAC have leaflets on motoring regulations, speed limits and equipment required by law in the countries visited most often by UK tourists. On-the-spot fines for breaking the rules could make a large dent in your holiday spending money - and traffic

police do not always accept credit cards.

Sales of unleaded petrol in the UK have overtaken the leaded variety but the same is not true in all parts of Europe: unleaded can be hard to come by off the beaten track in Spain, Italy and eastern Europe.

Leaded fuel can cause expensive damage to catalytic converters so it is a wise move to fill up with unleaded before crossing borders and, indeed, wherever it is available.

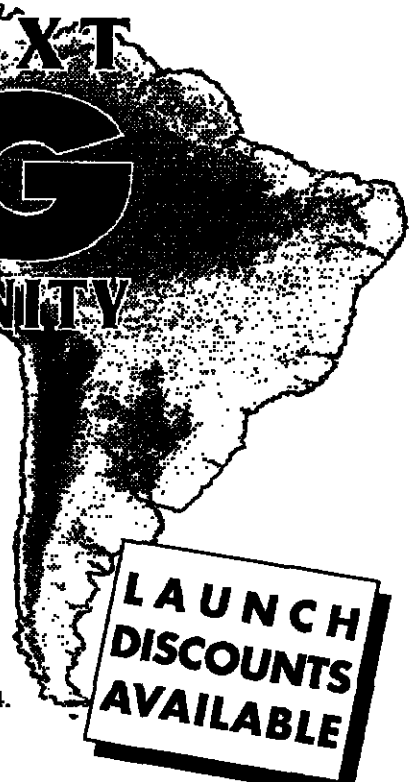
Travel insurance is also a must, particularly to cover medical and legal expenses.

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## C&amp;G's mortgage bait

The Cheltenham & Gloucester building society is offering as much as £3,000 to those taking out a variable-rate mortgage before July 31, writes Scheherazade Daneshkhu. Borrowers with a 20 per cent deposit will, on completion, receive 3 per cent of the amount they borrow, to a maximum of £3,000. Those with a 5 per cent deposit or more receive 2 per cent, capped at £2,000.

The cash payment is being

offered as an alternative to the one-year discount on the society's variable rate, now 7.64 per cent. The discount is 3 percentage points for borrowers with a 20 per cent deposit and 2 points for those with a 5 per cent deposit.

If you borrow up to 80 per cent of the value of the property, the cash gift is worth £180 more than the discounted rate. Larger borrowers will be £120 better off with the cash gift.

If you have a 20 per cent deposit, monthly repayments

on a £60,000 interest-only mortgage at the discounted rate of 4.64 per cent would be £209. Alternatively, you can take the cash gift of £1,800 but pay £244 a month.

If you redeem the mortgage within three years, however, you will have to pay back the cash gift - or, if you had opted for the discounted rate, pay three months' gross interest.

New borrowers before C&G's proposed merger with Lloyds Bank next spring also will get a one-off £500.

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# Friendly societies are not usually associated with aggressive tactics. This week, however, a friendly society announced plans to take over a life office – the first time

## Poor relation bites back

***Scheherazade Daneshkhu looks at a friendly society's unprecedented move to swallow a life office***

# Should you opt out?

\_\_\_\_\_

## 7534

## Making the most



## FINANCE AND THE FAMILY

**S**ome time ago, an acquaintance took out a Small Business Development Loan. When he came to clear this, his accountant estimated he still owed some £9,000 interest. But the bank involved claimed that, because the "Rule of Three" applied, he owed more than £30,000 interest. Just what is this Rule of Three?

■ Frustrating though it is to admit, we have drawn a blank on your query. No one we have contacted has heard of any Rule of Three. This includes the Department of Trade and Industry and several senior representatives of the investment and banking world. Our only suggestion is that your acquaintance return to his lending bank for further clarification. (Reply by Murray Johnstone Ltd.)

## Setting up a trust

My husband and I are in our early 60s. We have two daughters who are married. One daughter has two young children. Our house, and the bulk of our assets, are owned jointly. Each of us has a pension in our own right.

Our wills were made some years ago and leave all to the survivor. On the survivor's death, the estate would be divided between our daughters or, if they died first, to their children. But if things were to be left like that, then, on the second death, our daughters would have a substantial inheritance tax bill.

I am told it is possible to reduce IHT by each of us making a will in which the first £150,000 is left to our children in a discretionary trust that allows the income from this capital to be paid to the surviving spouse until death. The remainder of each estate would otherwise pass directly to the survivor.

The same source says that, for this to be permitted by the Inland Revenue, each of us needs to hold assets of £150,000 in our own name, rather than jointly, as now. Is this advice correct? If so, how do you go about setting up such a trust?

■ It is possible for a husband and wife each to leave wills so that the first £150,000 is left to the children upon discretionary trusts with the balance being left to the surviving spouse. The trustees could exercise their discretion in favour of the surviving spouse should the need arise.

You would need to ensure that the surviving spouse does not have a right to the income as it arises as, in tax terms, this would effectively be treated as an outright gift of the assets to that spouse. This would render nugatory the planning undertaken.

## Baffled by a mystery rule

## Q&amp;A

## BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

It is also correct that, if you own assets jointly, then they will pass to the surviving spouse by law. To avoid this, it would be advisable for assets to be owned in your individual names or jointly as tenants in common.

Given the care with which the trust needs to be drafted, I should advise that you seek professional help. The fees incurred would be small relative to the tax saved. (Reply by Barry Stillerman of Stuy Hayward.)

## Two down, none to go

In October 1987, I acquired 400 shares in a company called Lees, Thomas & Worsnop Ltd. In May 1991, an offer was made for these shares by the Aldgate Investment Co. Ltd but I declined. Do these companies still exist and are the shares of any value?

■ The Aldgate Investment Co. Ltd was dissolved on December 31 1997 and Lees, Thomas & Worsnop Ltd followed on December 31 1980. So, the shares would appear to be valueless. (Murray Johnstone Limited.)

## Exercising an option

As a member of an approved share option scheme, I will be exercising an option later this year. As I have already exercised one in the past three years, any difference between issue price and market value will be taxable. The option is with my employer's ultimate holding company, a PLC.

1. On what basis will the market value be established?

2. (a) How will the exercise be taxed? (b) If treated as capital gains tax, can the annual exemption be applied? (c) If treated as a taxable benefit, should it be included on my P11d from my employing company? (d) Will I be able to include the taxable benefit with my earnings, in order to

calculate my 15 per cent maximum FSAVC contribution? ■ Ask your tax office for the explanatory pamphlet on share option schemes, IR100. Briefly, the answers to your questions are:

1. By reference to the prices quoted in the Stock Exchange Daily List.

2. (a) As income. (b) Does not arise. (c) No, because it has to be reported specifically. (d) Yes.

## A will that isn't specific

I would like to make a will along the following lines: My estate to be disposed of by X (or by X and Y, if two are required) with the request (not binding) that such disposal be made in accord with my known wishes and any letters which I may leave.

I would want it drawn in such a way that any disposals to charity would be IHT-exempt, just as they would be if made as direct bequests under the will. Is it possible to do this? I have just been told by my local solicitor that it isn't and that I must be specific regarding disposal of my estate.

■ I tend to agree with the local solicitor. It is always possible to leave your estate in a discretionary trust with powers for the trustee and executors to distribute it in accordance with a separate letter of wishes. But I cannot see why, if you know already how you wish to leave your estate, you should not write this into your will. This provides a lot of certainty - and you can always write a new will if you change your mind. (Barry Stillerman.)

## Offshore worries

I am South-African born and have been UK-resident for 15 consecutive years although I do not have UK domicile. I have investments, accrued income and gains held offshore. All originated offshore with no funds from the UK.

1. If, after 17 consecutive years' residence, the Inland Revenue declares me to be UK-domiciled, what would be the tax position of my offshore holdings?

2. If I die before my domicile changes, what would be the tax position of the holdings? ■ Your being born outside the UK is of no relevance to your domicile or origin (although, presumably, you have estab-

lished that you are, in fact, domiciled overseas).

As you have been resident in the UK (for income tax purposes) since some time in 1979-80, you will be treated (for inheritance tax purposes only) as domiciled within the UK with effect from April 6 1985, by virtue of section 287(1)(b) of the Inheritance Tax Act 1984.

It is possible that the deemed domicile may be modified by the terms of a double taxation agreement with your country of actual domicile (but, as you do not wish to disclose the name of that country, we cannot comment further).

Your UK income and capital gains tax liabilities will continue to be based upon your actual domicile (under English law) so long as you remain in England.

If you die before April 6 1995, your assets located outside the UK should escape inheritance tax.

## Avoiding CGT on a house

My husband and I live in Switzerland. In 1984, in order to give my mother an increased income, I agreed to buy her house for £22,000, its independent valuation.

The house was conveyed to me, subject to an interest-free mortgage in my mother's favour of £22,000 (repayable at £150 a month) and a tenancy for life agreement. To date, I have paid my mother £18,000 and the approximate value of the house is now £55,000.

My husband and I will be returning to live in the UK permanently next month. How should I deal with the house to avoid paying CGT when, eventually, it is sold?

■ We take it that the house in question is in England (or elsewhere in the UK), and that the mortgage deed and the tenancy for life agreement are subject to English (or Scots or Northern Irish) law. That being so, the solicitor who acted for you in 1984 (or his successor) is best placed to advise you.

One possibility is that the tenancy-for-life agreement is a settlement to which section 225 of the Taxation of Chargeable Gains Act 1992 applies. This was probably considered at the time the documentation was prepared in 1984 (the 1992 Act being merely a consolidation of existing law).

It seems clear that section 226 of the 1992 Act does not apply. One possible course of action, if it need be, would be for you and your husband to move into the house for a short time, giving judiciously-timed notices under section 222(5)(a) of the 1992 Act beforehand and afterwards (with retrospective effect from judiciously-chosen dates). But professional guidance through the CGT and IHT minefield is essential.

## Offshore variable rates slip

Many offshore rates remain competitive with the mainland market and, for those seeking gross income, they are worth considering. But variable offshore rates from building society subsidiaries have generally followed the downward trend of mainland rates recently. Woolwich Guernsey has proved the exception by increasing the rates on larger balances in its International account.

As on the mainland, fixed rates have firmed slightly, with both the Halifax International and Lombard Banking (Jersey) increasing their rates. New accounts have been introduced for UK residents by N&P Overseas, with a 90-day notice account, and Britannia International has opened up its new Index-Linked account to both UK and overseas residents.

But its market-leading, five-year fixed-rate bond is available only to expatriates. Onshore, the slide continues in variable rates. Small reductions are not always advertised widely and investors should be aware that the return on their savings could be eroded.

With investors chasing decent rates, smaller societies have been inundated with inquiries. Being unable to cope, some have withdrawn accounts to new money. Accounts now closed that have featured in our charts in recent weeks are Bullion Share from Teachers, Quay Account from Tyne-mouth, and Scarborough 94 by post from Scarborough.

The leapfrogging of fixed rates from building societies has stopped for the moment, but guaranteed income bond rates go on rising. The top rate now is from EuroLife at £10,000, paying 7.00 per cent net (9.33 per cent gross equivalent) over five years. (Christine Bayliss, Moneyfacts)

## The wealth protector

Roger Harris & Company: 15th in a series on fee-based advisers

Roger Harris is quite clear about his role as an independent financial adviser. He wants to help his clients solve their financial challenges, minimise their tax bills and maximise their investment returns. Above all else, he is there to help them protect their capital. "That is paramount," he says.

Harris spent 15 years helping to build a broadly-based financial services group before he founded his Leicester-based firm, Roger Harris & Company, in 1988. He set up as a sole trader. "In order to spend more time doing a better job."

He felt that his previous firm was trying too hard to be all things to all clients. As Harris explains: "Because the majority of the business was commission-based, you always had to say, right, I've dealt with that client, now I must find another to sell products to."

"I was also convinced that the boom of the 1980s was coming to an end. It was fairly obvious that it was a peak of a cycle and I felt that our financial services group, which was surviving on commissions and mortgages, would suffer."

His solution was to specialise. He established a small financial planning practice, aimed mainly at high-earning and high net worth people. The firm has been fee-based since the start; any commissions received are placed against the client's account and deducted from the fees, all of which are time-based.

Hourly rates have been reduced recently to £20-£30 because Harris cut his overheads when he moved his office out of Leicester's city centre. "There is a cost for taking advice and there is also a cost for not taking advice," Harris says. "The sadness is that the majority of the investing public, quite rightly, could not justify paying our sort of fee."

His clients tend to live within 25 miles of Leicester and, collectively, his 25 largest have assets of £30m. But this evidence of wealth does not mean new clients are in control of their financial affairs. Some have arrived at his office with what Harris describes as "a Marks and Spencer shop-

## The Independents

Roger Harris



Name of financial adviser:	Roger Harris & Company
Address of head office:	Launde House, Harborough Road, Oakby, Leicester LE2 4LE
Date firm was established:	1988
Regulator:	FIMBA
Funds under management:	Not disclosed
Number of clients:	100
Number of offices:	One
Minimum investment accepted:	No minimum
Services offered:	Comprehensive personal financial planning and investment advice
Fees:	£20 - £30 an hour

ping bag with 20 years' accumulation of endowment policies and unit trusts which they bought because it seemed a good idea at the time. I get great pleasure from clearing through this paperwork."

This haphazard approach to investment is the antithesis of Harris's own philosophy. He finds that many new clients have bought nearly all their investments from off-the-page advertisements, mail shots, or from direct salesmen. "In no case have they ever been advised to sell an investment and secure a profit," he says. "I believe investment advice to sell is just as important, if not more so, than when to buy."

Harris feels investment management is the backbone of all financial planning, although he will not reveal the size of the client funds he has under management and says they are impossible to quantify. "For instance, I have introduced millions of pounds to building society postal accounts. Do you include this?"

He is not believer in buying investments for the long term. "Investment is all about trends and cycles. Perfect investment is to buy lowish and sell highish. Talking about paper profits is a pointless exercise. It is not a profit until you sell it and put it on the table."

He is particularly critical of the way life assurance managed funds are presented to potential investors. "I have never been able to understand why companies are allowed to refer to what is, effectively, a fairly static mixed fund as a 'managed' fund. I think the insurance industry is just misleading customers."

"The public expects there to be a manager, who is watching over funds daily and who will switch between different markets and sectors. A client close to retirement, who came to me recently, was horrified to find that his substantial pension fund was in a managed fund that was 80 per cent exposed to the market."

Harris believes all investments need a pre-determined exit point. "I put stop losses on every investment that is asset-backed. This way, there is a better chance that clients will not suffer if the next stock market fall is similar to October 1987 or, worse, to the collapse in 1974."

"My overall exit point now for anyone in UK equities is a Footsie index of 3,000. We have already sold a lot of investments because we had a stop loss on the Footsie at 3,200. So, the majority of clients are

already out and sitting on cash."

"Certainly, this is the case with the Peps we manage on a discretionary basis. I think the only sensible PEP is the one you can move into cash. And although we have done very well on zeros over the past couple of years, we are very close to stop losses at the moment."

Harris uses his first meeting with a prospective client to "interrogate and find out exactly what they want to achieve". This results in a detailed financial planning report, updated annually.

He considers empathy with clients to be crucial and says: "Clients will telephone me as their first port of call when they have a query on financial matters, so there must be trust. If I think there isn't any chemistry at the first meeting, I would rather say there and then that this isn't going to work."

Harris, who admits to being "a bit of a loner", adds: "I suspect the majority of financial advisers obtain a lot of their views from seminars run by unit trust groups. I don't have a very high opinion of the industry. It's going to be a long time before this is a true profession."

Joanna Slaughter

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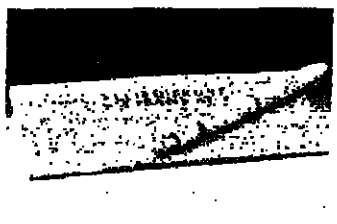
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## MINDING YOUR OWN BUSINESS

John Litchfield and Debbie Goldsmith met on a battlefield eight years ago. After that, they turned their shared interest into a joint venture and founded Civil-Wardrobe, a company which supplies period clothes principally for English civil war re-enactments, on January 1, 1990. Since then the chief battle for them has been keeping the business afloat.

"We are both fanatical about civil war re-enactments," said Litchfield, 38. The two were confident of success when they started Civil-Wardrobe. They had been successfully making, hiring and selling civil war costumes to enthusiasts in the Sealed Knot, the English Civil War Society, and other re-enactment groups for two years, and in 1990 they gained a contract to supply, launder and maintain all the period costumes to the Littlecote historical theme park at Hungerford.

"We thought we were made," Litchfield said. "The contract soon represented half our income - it was for £35,000 over a six-month season. At that time we were turning over £70,000, employing two other staff, and also using a number of part-timers to run the medieval banquet costume hire business, which was also doing well."

The pair did not think twice about the repayments on a £5,000 loan they had taken out from Barclays, even though a condition was insurance cover that cost an additional £1,250, also to be repaid in instalments.

The big blow came in the summer of 1991 when they learnt that Littlecote was to close as a historical theme park. Within a few months the lease expired on the small shop premises in Newbury that they had rented cheaply and almost overnight.

They managed to find a vastly bigger shop, with large workroom and storerooms, in a small shopping parade on the southern fringe of the town. The rent was a reasonable £10,000 a year, but a condition of the deal was that they should renovate the premises. They were given the first year rent free, but spent £15,000 on the restoration work. To find it Debbie took a £20,000 second mortgage on her house. The other £5,000 was spent stocking the shop downstairs, which sells novelties and fancy dress equipment, as well as being a hire centre for fancy dresses, hats, and evening gowns largely made by Debbie and her team.

No sooner were they in full swing again than a second upheaval hit the couple. A large hotel with which they had done £5,000-worth of business showed a reluctance to pay. They recouped £5,500 but had to sue for the rest, which they eventually regained in April 1992. By then they faced a tax bill of £3,000 for their two good years, which they paid with difficulty.

They had leased a computer, a copy-



An old-fashioned business: John Litchfield and Debbie Goldsmith of Civil Wardrobe in English civil war costume at Battle Abbey

Colin Bees

## The battle for survival

Clive Fewins looks at a company that has had to keep changing its tactics

ing machine and an electronic till for the shop and had also bought a £10,500 new Renault high top van on hire purchase.

"We were really caught in a classic credit trap," Debbie said. To add to their agony the trade they had tried to build up to plug the Littlecote gap - selling costumes to other fancy dress shops - proved a failure.

"So many fancy dress shops were closing down due to the recession that we realised it was not going to work," Litchfield said. "Fortunately we didn't lose a lot of money over this. We merely diverted the costumes to banquet hire sets. But I spent a lot of wasted time on the road trying to build up custom." In addition they saw a marked dip in the corporate events market - another direct result of recession-led cutbacks.

"Although we were working desperately hard and earning quite good

money we were not turning over enough to cover our expenses. Our projections had been based on the figures we were earning from Littlecote," Debbie said.

They made two staff redundant but in the summer of 1993 the bailiffs visited, sent by Newbury District Council to collect arrears of business rates.

"Although we had run out of money, we escaped," Debbie said. "We were able to show the council that we had written asking for relief on our business rate and the council found that their reply to us had not been posted. Despite this error, we were not granted any relief and still had to pay in full."

"However, in the second half of last year things started to improve. We went to a lot of re-enactment events with our van and our stall, and the medieval banquets and corporate events started to pick up. In addition,

we gained a lot of work from museums, and the costumes we had begun to make for an educational supplies company after the Littlecote disaster saw a good expansion. We had an excellent Christmas, and by our year end on May 31 our turnover should be back to £50,000. We are rapidly paying off our arrears."

"The pair have escaped VAT liability by splitting the business into two. They are thinking of selling the hire side and concentrating on manufacturing, as they both enjoy this side of the business and have a successful team of three workers."

Sales to schools are good, and they have plenty of orders for standard domestic costumes of the civil war period, at £150 each, and top quality authentic historical costumes for museums, at around £900 each. Sales from the shop cover the wages of the part-timers who run it. But the opera-

tion would be sold off, together with banquet costume hire, as part of the costume hire business, if they decide to go through with the sale plan.

"We could always see how it was working out and start banquet costume hire again somewhere else not too far away. It seems to be a growth market at present," Litchfield said.

For the rest of the year, the pair are concentrating on what they enjoy best - taking their van to historical re-enactments and joining in the fun.

"It is a very seasonal business. Although we are in a good patch at the moment we shouldn't easily forget what we have been through in the past three years," Debbie said. "But I have a feeling we're winning."

■ *The Civil Wardrobe, Newtown Road, Newbury, Berks RG14 7ER. 0635 45806.*

## Learn to manage

Stephen Halliday looks at courses for inexperienced bosses

Mike Stanley, 31, is works manager for Lynx Offset, a small printing business based near Oxford, which he joined shortly after it was established in 1988. He started as a printer, the trade he took up when he left school, but his reliability and enthusiasm marked him for promotion.

He is now works manager of a company which employs 20 people and has a turnover of £1.2m, mostly printing journals, catalogues and high quality advertising material.

He is responsible for hiring, training and supervising six print workers and for liaising with other supervisors to ensure that customers' orders are handled promptly and cost-effectively. He reached his position with no formal training or experience of supervisory work.

In 1992, Stanley's boss, Keith Nicholl, who founded Lynx, was contacted by the Heart of England Training and Education Council, based in Abingdon, which suggested that Nicholl might send one of his supervisors on a training programme run in conjunction with Wolsley Hall, Oxford. This offered an NVQ level four certificate in management.

The national network of Training and Enterprise Councils was established in 1989 with a particular responsibility to improve training in small firms such as Lynx.

The NVQs, or National Vocational Qualifications, are part of the nationwide system of qualifications designed to promote higher standards of training in industry. Level four qualifications are intended for first line managers who, like Stanley, are in their first supervisory jobs.

The course, which takes about a year, covers four areas of management: people, finance, information and operations.

Stanley started with managing people, first assessing his own capabilities against a checklist of items: minimising personal conflicts, remaining calm in difficult situations and learning from mistakes.

At the same time, Nicholl provided his own assessment of Stanley, using the same list.

A comparison of what he said about himself and what his boss said about him was used to help draw up a "development contract" which Stanley agreed with his boss, emphasising those areas in which he needed most help.

The analysis had revealed that there were many activities which Stanley was carrying out without appreciating their implications for others. For example, he often interviewed staff without making any record of the outcome of the interview so that the participants could have widely differing views about what would happen as a result of the interview.

Stanley then attended a series of eight one-day programmes on topics such as recruiting and training staff, organising meetings and establishing disciplinary procedures. Guidance was given by the trainers, and the participants compared their experience. At the end of each session Stanley agreed upon a programme to be completed before the next one. At work he assembled evidence that he was using the techniques he had learned at the workshops.

An assessor visited him to check his progress and to advise him whether the "evidence" he was collecting would meet the requirements of the programme.

After six months he had completed his "contract" for managing people. The cost to the company was £50. The programme is subsidised by the Department of Education.

Both Stanley and Nicholl agreed that the main benefit of the programme has been to make both of them think about Stanley's responsibilities and the way he carried them out. Stanley is, with Nicholl's encouragement, completing the other three parts of the programme, covering finance, information and operations which will lead to the NVQ in management.

Businesses interested in such programmes can contact their nearest TEC or college through their local Jobcentre. ■ *Stephen Halliday is Principal Lecturer in Small Business at Buckinghamshire College Business School, a College of Brunel University.*

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## Traffickers

Continued from Page 1

chewing, tea, and pharmaceutical production. All other herbage was defined as "expendable", and subject to phased, voluntary eradication in return for cash payment. Any new, post-1988 cultivation was declared illegal. Such a system, of course, is wide open to spectacular abuse. Today, virtually all of Chapare's 28,000 hectares of coca go towards the making of cocaine.

I left with an Umopar patrol at dawn three days later. I liked the 10 soldiers who made up the unit - they were uncomplicated boys from the countryside. But I found peculiar-moustached Teniente Avila, the officer in charge of the patrol, an ominous character; anyone who wears black leather gloves in the humidity of tropical jungle is, as far as I am concerned, creepy.

Leaving behind a squad of muscle-building, crew-cut blond Americans doing calisthenics in front of the *escuela anti-narcotica*, the DEA training school, we drove off into the bush. Normally I would have been fascinated with the discoveries that come with a tramp through the Amazon basin - thick rain forests, groves of giant bamboo, strange flowers, spiders' webs glistening with dew, blue butterflies as big as your hand.

I was more concerned, though, with what lay at the end of the narrow and difficult paths we were following. On some of them I could barely see the indications of human passage - the newly broken branch, the muddy footprint - that might or might not indicate the presence of a pozo hidden deep in the forest.

But these men were taking no chances. They studied the ground with great attention, walked with automatic weapons at the ready, and communicated silently with hand signals. Three times that morning we moved in cautiously on clearings where through jungle growth they had spotted the wooden stakes, the plastic sheeting, the discarded jerry cans and acid bottles that give away a maceration pit.

Each time, though, we found the pozos abandoned and the

cocaine processors moved on. The entire area, in fact, seemed abandoned that day. The patrol moved through hamlets, each as dirt-poor as any you might find in Africa, rifling through huts and looking for locals who might be paid or pressured to provide information.

Whole villages were empty. Teniente Avila's eyes glinted with anticipation when once we came across a Baptist with a suitcase full of heavy books. But they were only books. Waste-deep swamps, clouds of mosquitoes, brain-deadening heat - by noon the thrill of the jungle had begun to wane. By late afternoon we were discouraged and worn out.

Had Umopar's anti-narcotics campaign scared the *cocaleros* away from the region? Not at all. We ran into them on the drive back. Organised by Chapare's powerful and militant coca-growers' federations, they were gathered by the thousands at demonstrations along the highway. I was pushed down to the floor of the truck so my white gringo face - easily mistaken for a hated DEA face - could not be seen. With machetes banging angrily against the side of the truck, we passed through a sea of jeering peasants.

Has Umopar's anti-narcotics campaign succeeded at all? Like many observers Peter Shaw, my former drug-dealing acquaintance in La Paz, says that until poverty disappears, the trade is likely to continue - there is just too much pressure and too much corruption to wipe it out otherwise.

Shaw laughed when I mentioned finding individual pozos the big refining labs where the final refining process takes place, he said, are heavily protected by *pericos*, to government officials so are the transportation routes out of the country. Worse, the trade is spreading eastwards into Brazil where a new cocaine theatre, as yet wholly uncontrolled, is rapidly opening up.

A \$18m annual budget notwithstanding, America's drug war is likely to continue for some time.

Sunny house



## HOW TO SPEND IT / FASHION

## A St Trinian's summer rampage

Fashion on a shoestring is investigated by our writers. Here, Avril Groom visits the jumble sales

I have just bought the rudiments of a summer wardrobe - two skirts and a jacket - for £27.95. Before you say that I must have either special contacts or extraordinary luck, let me tell you that anyone can do it. This is the summer when no one needs to spend much in order to look thoroughly *à la mode*.

You must banish any residual belief that designer labels are good for you and any reservations about wearing clothes that have seen better days. Then you can join all the best people combing the rails of thrifty shops, jumble sales and school outfitters.

The ultimate in recession chic this summer is a clothing item that has been shrunken, truncated, crushed, boiled to ribbons and squeezed to within an inch of its life. You could pay a designer hand-somely to put clothes through all these processes. Or you could have fun - and save lots of money - and find examples for yourself. As this odd little look is not a long-term investment, it seems best to go for

the second option.

This is how I did it. The skirts came from Jean Muir's sale. There you are, designer labels after all - but these skirts cost only £3 each. They are in her favourite, floppy, Hurel Jersey and when I bought them they were dowdily box-pleated to knee-level. Quite why Miss Muir did not see their potential and price them accordingly I do not know, because with six inches chopped off (this cost £5 each), hey presto they are the new floppy skirt shape, in a fashionably school-uniformish maroon and a nice tan that will live all this spring's dreary beige.

The jacket was a bigger bargain. Doing my duty behind the counter at the local estate's jumble sale, I noted that elderly pinstriped jackets and waistcoats were being

snapped up - not by needy pensioners but by bright young things.

Even better, from the pile, I unearthed an original early 1950s coat in the black floppy, crepe wool currently beloved of avant-garde designers. Trendily waisted and fluted, silk-lined, with small revers and unobtrusive buttons, it cost me 20p. All it needed was a good clean and a foot off the bottom (£11.75).

Also at the sale were plenty of shrunken, greyed, felted and crinkled jumpers that had seen one hot wash too many. I did not need those because my wardrobe contains several examples that have formed spontaneously in my washing machine.

Now I know what to do with them: a fellow fashion writer tells me they look seriously chic worn with grey polyester school trousers.

She waxes lyrical about the straight-legged John Lewis version of these.

Not having the washboard abdomen of the average 12-year-old schoolboy, I may give them a miss, but Marks and Spencer has a pleated version suited to pannacher ladies (and lasses). Add a plain white school T-shirt, approximately for an age 16 size, vigorously scrunched in the wash and ironed, and no one will know you have not spent serious money on Helmut Lang's neo-punk look.

In fact, the school uniform department of the local chain store is the fashion freak's best friend this summer, supplying all the necessary ingredients for those who, unaccountably, have decided that St Trinian's provides a valid fashion role model for grown women.

The pleated games' skirt, the too-small school shirt, even ankle socks sauntered down expensive catwalks in the spring collections but the chain store version will do sterling service for a look of such sublime frivolousness.

Far more practically, now that VAT has been removed on clothes intended for children with up to a 37in chest, to allow for the generally baggy nature of youth fashion, childrenswear departments open up all sorts of possibilities for cheap casual dressing if you are less than generously proportioned. Why use a so-called "petites" department when you can get jeans, sweat-shirts and other basics in the same sizes but VAT-free?

Then there is lingerie. Ever since Jean-Paul Gaultier put Madonna on stage in coned-off corsets we have

adjusted to underwear as overwear, everywhere. The latest twist is that the lingerie is pre-owned. The hot-fashion designer slip dress has its origins in 1930s bias-cut nighties and these are what thrifty fashion fans are buying, to cut short and plonk over a skinny white T-shirt. The fastidious get theirs sorted, washed and mended from upmarket second-hand shops: the less squeamish at jumble sales.

If you find all this a little seedy, there is always the chain store version. This will, of course, look too new so you must give it a very hard time in the wash. This process is known as "distressing" which, unless you are careful, might also describe the results.

A safer option may be pyjamas. Classic drawstring trousers and loose shirts are this season's

obverse of the fashion coin, the opposite of skinny and short. As they look like pyjamas anyway, why not wear the real thing, often cheaper and better quality? Put them over the ubiquitous fitted body, while the enviable few with that washboard tum can buy a size too big so the trousers drop trendily to navel level.

This theme goes further. Marks and Spencer's spring nightwear includes a gracefully draped and pleated tunic and trousers that, with some metallic ribbon added at under-bust level, could convincingly come from the Grecian-inspired evening wear collections of Chloe or Romeo Gigli.

All these ideas are mere suggestions. The dedicated fashion money-saver will doubtless think up far more inventive ways to sidestep designer bills this summer. Think what you could do with all the money you are not spending on clothes this summer. Personally, a classic investment that I can justify to my bank manager might be in Armani's window...

## Re-make re-model

Lucia van der Post suggests there is no need to spend at all this summer

If, like me, you have been priced out of the designer label market, take heart. There are bargains to be had on the secondhand front (see Avril Groom, above) and I can add another suggestion - take the clothes you already own and wear them differently.

For instance, it is perfectly possible to buy all of the items in the accompanying photographs - but that is not the point of this article.

The point of the pictures is to show that this summer there is very little need to buy anything at all.

The chap who is so artfully photographed here, by the Marks and Spencer men's fashion team, is simply wearing a white shirt, a black waistcoat and some black cotton trousers.

The trick that updates the look, and gives it a designer air, is that the shirt is made of linen, the neck is grandad-style, it is over-sized and worn *outside* his jeans. The waistcoat (high-necked is best) is, of course, this year's really important accessory for men and women.

A careful look through any of the current fashion magazines will reveal that most of this year's look can be achieved for minimal outlay. For summer, a V-necked T-shirt (remember those years when nothing but simple round-necked would do?) can be had from M&S for £9.99, and could join the over-sized linen shirt in the wardrobe.

T-shirts are also worn loose and outside the trousers. Men who want to freshen their off-duty wardrobe should swap their dockers for Puma suedes (£49.99 from most good shoe shops) and that will do more for their image than a fancy label shirt or trousers.

Sun-glasses are smaller, oval-shaped with thin metal rims and the denim jacket has been replaced by a lightweight bomber jacket with

a hood (anyone visiting New York will find that Brooks Bros has a classic model).

Layer the clothes you already have and they will look absolutely brand-new. Shirts should hang out, shortish sweaters can be worn over them, waistcoats can be worn loose and unbuttoned under jackets and the tout ensemble will look as if it has just stepped off the catwalk.

Much the same message applies to women. Most probably already own at least one big loose shirt - the trick this summer is to wear it outside, with the cuffs undone, and either a small high-necked waistcoat or your smallest sweater over it.

Put away your boxy jackets and blazers for another year and swap your stiff handbags for something soft and punchy.

Wear silky soft cardigans, softened even further by long drifty scarves. If you buy nothing else this spring get some raised-sole trainers (Russell & Bromley has excellent No-Name versions in several colours at £35 a pair) which, coupled with a loose, high-necked waistcoat, will update last year's flared trousers quickly and cheaply.

Trade in your heavy-rimmed tortoise-shell sunglasses for little granny shaped ones with fine metal rims.

Finally, this summer, faces are being worn Calvin Klein-style: that is to say the pale, luminous, minimalist look is in. The art lies in looking as if you are wearing almost no make-up while in reality goody portions of it have been most artfully applied.

This is far from easy and some of us are inclined to emerge looking wan and ill so if you can afford it possibly the best investment this summer is an hour or two at a good cosmetics counter or make-up artist.



The full Evolve collection is not being launched until the autumn but the apron dress (£49.99) and shirt (£39.99) can be bought by mail order, tel: 061-520 8808

## Sunny thoughts for house and garden

If last weekend's promise of summer raised your spirits and made you broach the matter of outdoor life with some optimism, then you might like to know of a new mail order operation called Crucial Trading.

The catalogue offers a small, edited collection of "natural alternatives for the house and garden". Lurking behind that vague - and these days fairly ubiquitous - claim are some attractive products.

There are simple wooden garden seats and planters, some covered almost like gazebos. There are natural coir paths - ideal for conservatories - starting at £10.95 and a marvellously capacious Crucial coir carry-all bag at £14.95.

There are some sensibly sturdy garden essentials - aprons, kneelers, holdalls and tool pouches in dark green and natural at prices

ranging from £7.95 to £14.95. The galvanised watering cans in dark green or plain, range in price from £19.95 to £37.50. For lingering summer days there are hammocks and picnic rugs and a small collection of colonial country furniture from India - divans and carved cupboards.

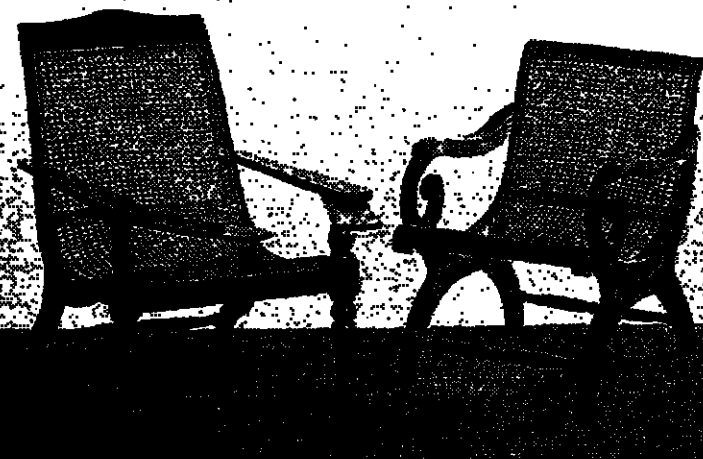
Everything can be bought by mail, the catalogue costs £1 from The Crucial Trading Post, The Market Hall, Craven Arms, Shropshire (tel: 0945-656565). Those who would like to browse can see much of the range at 79 Westbourne Park Road, London W2 5QH. Tel: 071-221 9000.

If your garden, or your tastes, run along grander lines, Sotheby's annual sale of garden statuary and architectural items takes place at Summers Place, Biltmore, West Sussex, on Tuesday May 24. Although many of the items are

grand, the estimated prices seem reasonable - a pair of wrought iron gates, French, second half of the 19th century, is estimated at between £400 and £600, there are fountain heads at £200 to £300 and wrought iron garden seats at £300 to £500. There are statues and fountains, stone troughs and urns - all the accessories the grand garden requires.

A catalogue costs £12, (from Sotheby's, Sussex) and viewing days are from Friday May 20 through to Monday May 23.

Finally, good news on the price front. About four years ago I mentioned Jane Tennant's collection of colonial-style planter's chairs, which cost £285 each. Today she has a new collection, bought, as were the originals, in Sri Lanka, but selling for £199 each. The quality is exactly the same - they are made in



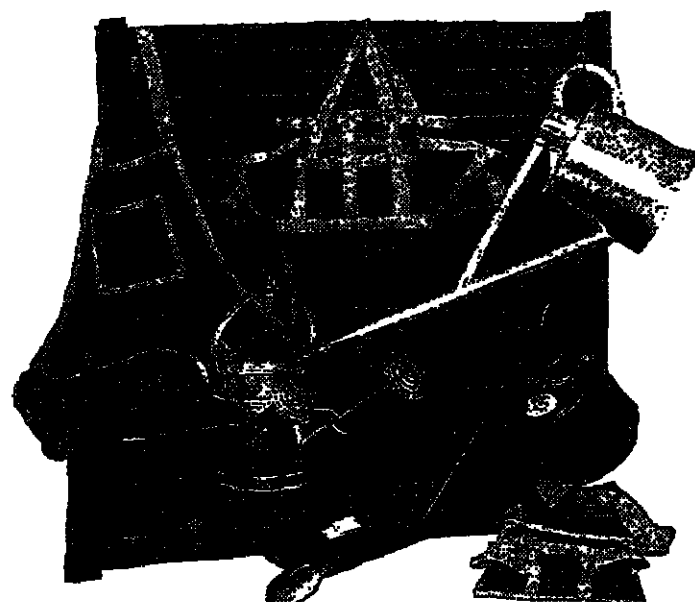
Chairs from Jane Tennant's new collection

authentic planter's style from an indigenous wood (which she tells me is carefully controlled and replanted) called Surtiyamara, and the cane-work is exceptionally fine. She sells them without cushions - keim-covered cushions look particularly good with them - and although she will deliver it will cost

extra. Most people she finds prefer to look first and then buy.

Available from Market Trading, 44 Burlington Gardens, London W3 6BA. Ring for an appointment (081-992 9255) as she operates from home.

Lucia van der Post



For the garden smart set from Crucial Trading: holdall (£12.45), tool pouch and belt (£7.95), apron (£9.95), kneepads (£14.95), and a variety of galvannead traditional watering cans from £19.95

## Small and upwardly mobile

I have always been ambivalent about mobile phones. Once thought of as irredeemably naïf, they are, I am forced to admit, terribly useful.

Never mind swanky conversations with stockbrokers or secretaries, it is when one breaks down on a motorway at night, is late for a lunch-date or stuck in a traffic jam, that the mobile phone takes much of the stress out of the situation.

If you are not sold on the idea of the mobile, Cellnet (to which system the phone is connected) offers another incentive to fibbers.

"A mobile," Cellnet tells us in a little *oeuvre* dealing with the mod-

ern etiquette problem of mobile manners, "is genuinely mobile; subscribers get a number which cannot be traced by its dialling code. The possibilities are limitless: a schizoid massage - coupled with a weekend at a country house hotel - might easily pass for an afternoon of auditing at the family accountant. With a mobile you are never out of touch." So now you know.

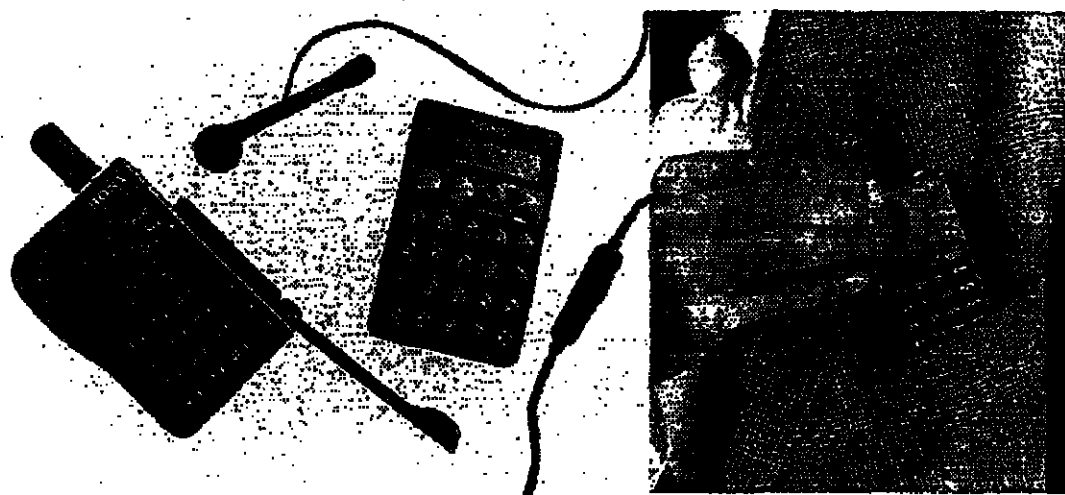
The new Sony mobile telephone, the smallest yet devised, addresses my main objection - their high visibility. The Sony version is smaller than a pack of playing cards which means it will fit a shirt pocket or a woman's handbag. It has a small

earpiece (much like the Sony Walkman) so that the booming tones that people on the other end of mobiles are prone to use are inaudible to all except the user.

It also seems - at about £450 if you pay full retail price - to be about the most expensive yet devised but if you shop around you can, I am told, find it for £200.

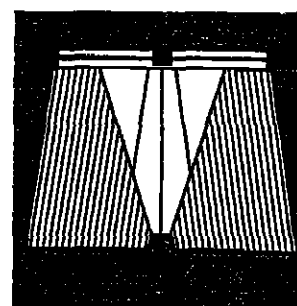
It weighs just 185 grammes, the battery gives 60 minutes talking time and 14 hours of standby time. It takes about 50 minutes to recharge with a rapid charger and it can be adapted for use in the car.

L v d P



The new Sony mobile telephone, the smallest yet devised

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## PERSPECTIVES

# Vietnamese remember the day the fortress fell

Paul Cleves on the 40th anniversary of the French surrender at Dien Bien Phu

Forty years ago this weekend in a remote corner of north-west Vietnam, the French garrison of Dien Bien Phu surrendered to the besieging Communist Vietnamese forces. To preserve a little *amour-propre*, General Christian de Castries, the French commander, raised no white flag but simply ordered his troops to cease firing.

The French, French Union and Foreign Legion forces were exhausted; with nearly 2,000 dead and 7,000 missing or wounded after 55 days of remorseless fighting they had been pummeled into the mud and could resist no longer. The loss of the battle marked the end of the First Indochina War. Had a 37-year-old John F Kennedy taken more careful note of the French defeat, the appellation First would be redundant.

In Geneva, on Saturday May 8, 1954, Pham Van Dong, later to become Prime Minister of a united Vietnam, listened to the strained voice of Georges Bidault, French Foreign Minister, as he conceded defeat.

Negotiations at the Geneva peace conference had ebbed and flowed, reflecting events in Vietnam. But General Vo Nguyen Giap, commander of the Communist Viet Minh, had dealt this historic victory in the nick of time.

Holding the moral and military high ground, as well as 7,000 newly-captured French prisoners, Vietnam had a strong hand. During the next 74 days of negotiations, the French recognised the Communist government of the north and the end of 150 years of colonial rule in Vietnam.

The battle of Dien Bien Phu was one of the most decisive battles of this century: it spelt out clearly what was known to many but what others chose to ignore - colonialism was morally unacceptable, economically ruinous and now militarily unforceable.

But what was Dien Bien Phu? And why did such significance attach to the loss of the French fortress? The town of Dien Bien Phu and its wide open valley provided access to the upper Mekong River and to Luang Prabang, the royal capital, and Vietnam, the administrative capital, of neighbouring Laos.

General Henri Navarre, the French supreme commander in Indochina, was determined to prevent further Viet Minh incursion into Laos and built the fort to block the route. Dien Bien Phu's significance was simply this: if the French, with US support, could not hold just one strategic fort their authority in Vietnam (ever tenuous and always imposed) was at an end.

By March 1954, after five months of fitful progress, the French garrison was more or less ready: the central command post, complete with underground hospital, air strip and howitzer emplacements, was protected by outlying strongpoints atop flanking hills, each within range of supporting fire from its neighbour.

But the strongpoints, supposedly named after de Castries' mistresses - Beatrice, Gabrielle, Anne-Marie among them - fell like dominoes: Beatrice fell after just one day's fighting.

The French defence disintegrated, revealing flawed strategy and hopeless under-estimation of what a mobilised People's Army could do.

The Viet Minh dragged heavy artillery and anti-aircraft guns over high mountain passes to positions in the forested hills surrounding the French camp. Tunnels were dug right through these hills and Viet Minh artillerymen were able to fire from them with virtual impunity, concealed by jungle.

Shells rained down on the French, almost immediately preventing use of the airstrip and isolating the strongpoints.

The loss of the airstrip was a catastrophe: supplies could not be landed and the wounded, who could not be evacuated, piled up in recesses in the walls of the sick bays and then the trenches. Reinforcements, food, medical supplies (whole medical teams), ammunition and fuel had to be parachuted in.

As the Viet Minh advanced with what Giap called "a tactic of combined nibbling and full scale attack", so the French-held area shrank from 10 to two, to just one square kilometre.

And as the drop zone into which men and material had to be parachuted grew smaller, so the flak which civilian and military pilots had to face intensified. Experienced US pilots claimed the barrage, from Soviet and Chinese-supplied 37mm anti-aircraft guns, was worse than any they had experienced over heavily-defended German targets 10 years earlier.

So the Dakotas and C119 transports flew higher and higher as the drop zone grew smaller and smaller. Dreadfully high losses followed, as parachutes drifted over enemy lines.

As the action progressed, the beleaguered encampment found itself on the sharp end of its own shells - most terrifyingly the delayed-action 105mm shells, which penetrated the bunkers before exploding - unlike the normal variety which exploded comparatively harmlessly upon impact.

Luck was against the French too: in a freak incident, a hapless pilot rolled to avoid the flak and accidentally dropped on to Vietnamese lines a pouch containing detailed maps of French positions, the latest aerial photographs pinpointing Vietnamese anti-aircraft positions and code names of all enemy targets.

The pilot had pushed back his canopy in



After the battle, Vietnamese children play with an American-built howitzer

preparation for a drop, but became unmoved by the accuracy of Vietnamese shooting and banked. The pouch fell from the cockpit.

Memories of two of the better-known heroes of the battle have faded with time but merit recall. Both were medics who became trapped at Dien Bien Phu.

Genevieve de Galard-Terraupe, known as the "Angel of Dien Bien Phu", was a medical orderly who travelled on the evacuation flights that flew between Dien Bien Phu and Hanoi in the early days of the siege.

When she became trapped after her aircraft was blown-up on take-off, she remained to care for the wounded. "She was the only one who could get the wounded to be content with five cigarettes a day without grumbling," remarked camp doctor Major Paul Grauwlin.

Grauwlin himself had agreed to stand in at Dien Bien Phu for a fortnight as a locum, prior to sailing home to France. He too became trapped when the air strip was closed. He operated on hundreds of abdominal cases and head wounds, and he amputated dozens of limbs in the field hospital.

Conditions deteriorated as the monsoon set in: water streamed along the passageways and the clay floor became a sea of mud into which discarded needles fell. And heat and humidity produced a plague of flies and maggots, crawling over the hands, faces and ears of wounded men as they slept at night.

Grauwlin tried to allay the men's panic by explaining that the maggots ate only pus and rotting flesh leaving a nice clean wound.

But in spite of French heroism, and the best efforts of the large German contingent of the Foreign Legion, Dien Bien Phu eventually fell, finally overrun by the waves of Viet Minh infantry sacrificed by

General Giap in response to pressure from Geneva for a quick, decisive result.

Perhaps the greatest tragedy of Dien Bien Phu is that the Americans, who worked closely with the French in supplying the garrison, and who at one stage offered bombers and even discussed the use of nuclear weapons, failed to see how the French experience applied to their own military adventurism in Vietnam less than 10 years later.

It is quite remarkable that they not only believed they could hold a now-divided Vietnam by force but they made the same tactical errors and fell prey to tried, tested, and perfected Vietnamese strategies.

The US was, of course, blinded by the holiness of its crusade. But the cost of America's pledge to pay any price or bear any burden for the survival of liberty was to be millions of Vietnamese lives.

Today, 40 years on, the scars of battle have healed and France is one of the large-

est foreign investors in Vietnam. It is nearly 20 years since the unification of Vietnam, and in north-west Vietnam, the government is preparing the country's newest tourist attraction.

De Castries' bunker has been rebuilt; the battlefield is liberally scattered with rusted tank hulls (eight in all - two others still see service in the Vietnamese army); and American-made 105mm and 155mm howitzers point menacingly skywards, complete with their maker's stamp - United Engineers & Foundry Co - or servicing details and acquisition number, ORD DEPT M2A1 152473.

On hill E1ane 2 (some of the fiercest fighting and known to the Vietnamese as A1) is a war memorial, a bunker and a tank, Grazielle.

Around the back of A1 is the entrance to a tunnel dug by coal miners from Hon Gai. The shaft ran several hundred metres to just below the French strongpoint; it was

filled with 1,000kg of high explosives and detonated at 11pm on May 6, signalling the beginning of the final assault. The huge crater remains.

Quite whether all this justifies the new twice-weekly air service from Hanoi remains to be seen. Dien Bien Phu can hardly be considered an attractive place in spite of, and because of, the tourist infrastructure of karaoke bars and other essentials.

The town is a building site and clouds of dust mingle with smoke from the brick kilns and the burning hills to reduce visibility to a few hundred metres.

Apart from a few trees on A1, the hills are stripped of vegetation - not French napalm but centuries of shifting cultivation.

The barren hills and polluted atmosphere would have served those entombed French soldiers well - but not, one suspects, French tourists.

The Nature of Things/Clive Cookson

## Is the quark hunt over?

Momentous news last week from the Fermilab atom smasher outside Chicago: physicists have discovered the top quark, the last of 12 subatomic building blocks believed to make up the whole material universe.

Or have they? The nature of the top quark - it disintegrates into a shower of other particles less than one billion-billion-billionth of a second after its creation - makes it impossible to "discover" in the traditional European sense. Its existence has to be deduced by an extremely complicated mathematical analysis of millions of collisions in the Fermilab accelerator, looking for patterns that could only come from the creation and immediate disintegration of a top quark.

The evidence, to be published as a 200-page scientific paper by a team of 440 physicists, shows that there is still some doubt. Statistical analysis gives 1-in-400 odds that the Fermilab patterns occurred by chance and had nothing to do with the top quark.

Although 389-in-400 may seem good enough odds to claim the top quark's discovery, some scientists would like to see more convincing evidence for such a fundamental finding. They are well aware that Carlo Rubbia and colleagues at Cern, the European particle physics centre near Geneva, thought they had found the top quark 10 years ago - and then turned out to be victims of coincidence and wishful thinking.

If the quark hunt has been successfully concluded, it is one of the most overdue discoveries in science. Physicists

have been looking for the top quark since creating its companion, the bottom quark, at Fermilab in 1977. It will fill the last gap in the 12 fundamental particles - six quarks and six leptons - which, according to the "standard model" theory, make up all matter that has existed in the universe.

To appreciate the significance of the quark, think back to the 1950s when Dmitri Mendeleev drew up his periodic table of the 92 chemical elements from hydrogen to uranium, by systematically studying their properties.

The underlying reasons for the patterns revealed in the

periodic table remained a mystery until the discovery at the end of the 19th and the beginning of the 20th century of the particles that make up the atom: the electron, proton and neutron. Then scientists realised how the chemistry of each element - the way atoms join with other atoms to form molecules - depended on its atomic structure.

The mid-20th century view of the atom, with negatively-charged electrons orbiting around a nucleus made up of positively-charged protons and uncharged neutrons, was correct, so far as it went. Scientists today still regard the electron as a fundamental indivisible particle - one of the six leptons. But protons and neutrons have their own internal structure.

Each proton and neutron

constitute of three point-like particles which Murray Gell-Mann, the great Californian physicist, named quarks in 1964, after the line "Three quarks for Muster Mark" in James Joyce's *Finnegan's Wake*.

The idea of quarks and leptons came from studying patterns among the myriad of short-lived particles detected in cosmic radiation from space and created on earth in atom smashers. Their properties could be explained if they derived from combinations of quarks and/or leptons, just as the periodic table had been explained in terms of protons, neutrons and electrons.

According to the standard model, both the six quarks and the six leptons come in three sets of twins. The quarks bear the whimsical names "up" and "down", "strange" and "charm", "top" and "bottom": the leptons are "electron" and "electron neutrino", "muon" and "muon neutrino", "tau" and "tau neutrino". But the theory sheds no light on why there should be 12 building blocks nor on their peculiar distribution of masses.

Whereas individual leptons can exist free, quarks are always bound together with other quarks in either pairs or triplets. The proton, for example, can be seen as a tiny bag in which two up quarks and one down quark can wander freely but from which they cannot escape.

All ordinary matter familiar

to us on earth is made up from these up and down quarks and electrons. Neutrinos are ghostly particles, which pervade the universe but are almost impossible to detect because they carry no electric charge or mass. The other, heavier quarks and leptons exist only for tiny fractions of a second under ordinary temperatures and pressures but they probably play an important role in much more extreme conditions - inside a neutron star, for instance, or in the early universe soon after the Big Bang.

Although the discovery of the top quark completes the list of particles that can come together to create matter, it is far from the end of the story. The universe also contains non-matter particles performing other functions, such as transmitting forces. Best known is the photon which carries the electromagnetic force. Quarks are held together in the atomic nucleus by gluons which transmit the strong nuclear force.

The most wanted particle of all, after the top quark, will be the Higgs boson, which is believed to play a role in giving all the other particles their mass - in non-technical terms, their weight or substance. Cern wants to spend \$1bn building the world's most powerful atom smasher to find it.

If further experiments at Fermilab this year confirm the almost-discovery of the top quark, supporters of the Standard Model will be highly relieved that a theory of matter built up over three decades has not collapsed. But it leaves them with many more mysteries to solve.

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## TRAVEL

**W**ant to know the secret of eternal life? It is whisky, according to James Hogg, the Ettrick Shepherd: "If a body could find out the exact proper proportion and quantity that ought to be drunk every day, and keep to that, I verily trow that he might leave forever, without dying at a, and that doctors and kirkwards would go out o' fashion."

After my first distillery visit on the newly-opened "Whisky Trail" I was little wiser about the process. The guide's Aberdonian dialect was incomprehensible even to a lowland Scot. That was 10 years ago. Today things are different. Distilleries on the Whisky Trail have multilingual guides and audio-visual presentations in seven languages, including Japanese. All you have to get your tongue round is a dram of Highland hospitality: *uisge beatha*, Gaelic for the "water of life".

There are about 200 distilleries in Scotland - six on the island of Islay alone - and the greatest concentration is on Speyside, the Grampian region between Aberdeen and Inverness. The Whisky Trail is a route of about 70 miles, linking eight prominent ones.

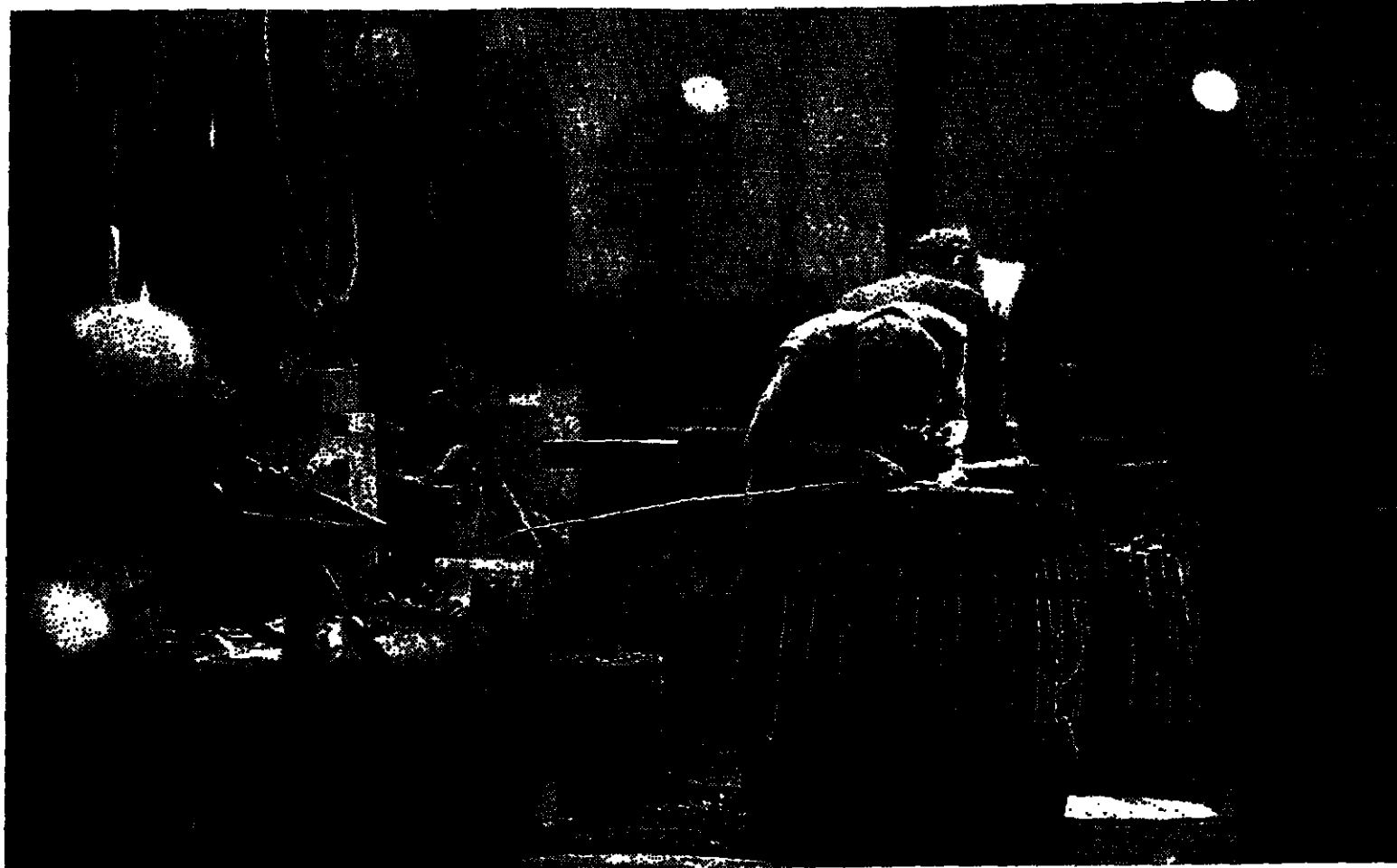
Tomintoul, the highest village in the Highlands, is at the southern end of the circuit. Here the peaty burns which spring from the Grampian and Ladder hills supply one of the three ingredients of malt whisky. The others are yeast and malted barley.

That so many distilleries now have visitor centres is the result of the only real change in the production process in 150 years: few distilleries still malt their own barley on site. It makes better economics to buy it in from specialists, so the empty maltings are put to use as whisky museums, shops and visitor centres.

A distillery visit will acquaint you with the folklore and peculiar terminology of whisky. The malted barley is steeped in hot water in a mash tun and the liquid, known as "wort", is piped into washbacks where it is fermented into "wash". This is distilled twice; of the second distillate, only the middle portion is kept: the "feints" and "foreshots" are discarded.

Whisky off the still is colourless. Caramel is sometimes added to blended whisky, but the honey colour of single malts comes from long maturation in oak casks. Sherry casks are preferred. During this time - eight, 10, 12, 15 or more years - at least a quarter of the spirit is lost by evaporation: the "angel's share".

There are things, however, the Scots rarely mention that tarran and bagpipes originated outside Scotland, and that the father of the Scotch whisky industry was an Irishman. In 1831 James Coffey invented a still which made continuous distilling possible, enabling whisky to be produced in bulk.



Coopers repairing the oak casks in which whisky matures for eight, 10, 12, 15 or more years

## Queen Victoria drank here

Adrian Gardiner tours Scotland's distilleries and samples the 'water of life'

sible, enabling whisky to be produced in bulk.

Whisky is a big employer and a big export earner. At one end is an elaborate worldwide marketing machine. At the other, skilled trades which, but for whisky, would have died out. Specialist companies in Glasgow and the Lowlands make and repair casks (coopers) while cooperages maintain the stills.

"Rome was built on seven hills, Dufftown on its seven stills." From Dufftown, home to Glenfiddich, we travel clockwise to Tannavulin (the "mill on the hill") and to The Glenlivet, which in 1824 became the first licensed distillery in the Highlands.

Following the River Avon north we meet the River Spey and the distilleries of Glenfiddich, Tannavulin and Cardhu. North again is the town of Rothes, home to Glen Grant, and a few miles east is Strathisla in Keith.

Strathisla is the heart of the famous Chivas Regal.

Also worth visiting is Dallas Dhu near Forres. This distillery was a casualty of the 1970s recession and was taken over by Historic Scotland as a museum.

Elsewhere in Scotland, both Dalwhinnie and Blair Atholl are easily accessible from the A9 Perth-Inverness road, and from Pitlochry it is two miles to Moulton, where a little white-washed huddle of cottages called Edradour forms the smallest distillery in the country, producing a mere 600 gallons a week.

While travelling this north-east corner of Caledonia you might take in the castle country of Aberdeenshire, and drive the "Royal Route" from Braemar to Aberdeen. It follows the Dee, second only to the Spey as a notable salmon river.

Braemar is not a town to linger in, unless you are a fan of tartan tat. Its only merit is the cottage where Robert Louis Stevenson stayed in 1881 and wrote most of *Treasure Island*. There is a gravestone in the churchyard inscribed "John Silver". Aboynae and Ballater are more dignified: solid conservative towns.

Short detours off the main A93 bring you to some remarkable turreted castles. Craiglevar is perhaps the best known. Now in the care of the National Trust for Scotland, this fortified tower house, complete with plasterwork ceilings and secret passages, is said to have inspired Walt Disney's drawings for the castle in *Sleeping Beauty*.

Crathes, just outside Banchory, is another fine castle set in famous formal gardens. But the main-crop tourists make for Balmoral, an architectural fable built by Prince Albert around 1850. Queen Victoria had a

lifelong love affair with Deeside. Signposts featuring that well-known housewife now link her favourite places on the Victorian Trail.

Victoria was known to be fond of a dram or two. You can follow her footsteps today to the Royal Lochnagar Distillery. Victoria lived a full life and died aged 82. Perhaps the Ettrick Shepherd was right.

Maps of the Whisky, Castle and Victorian Trails are available from the Tourist Information Centre, 45 Station Road, Banchory AB3 3XX, tel. 083-023-065. August is the distillers' holiday month. Visitor centres are open but you might not see the whole operation in action.

Adrian Gardiner is the author of *Classic Touring Routes in Scotland (1991)* published by Thomas & Locher. It includes a chapter on the Whisky Trail.

## Naked in Slovenia

**T**he sweet, melancholy sounds of a folk song echo down the corridor, its words incomprehensible except for the last of each verse - "Marja". I am waiting alone, naked and apprehensive. The melody changes to the major mode, the pace slows, and then the singer comes in smiling, wheeling a trolley.

She is pretty, plump and hip-picked. I understand nothing of what she says, but I give myself up completely.

She places a great lump of steaming mud on the bed I am standing beside, and in her seductive language she tells me to lie on top of it.

She takes more handfuls of mud and puts me down so that I am immobilised. It covers my abdomen, my shoulders and my arms with a great fiery weight. Then she wraps me first in a cotton sheet and after that she swaddles me in a thick blanket, all the while murmuring babytalk.

She has set the timer for 20 minutes of this exquisite torture, and every so often she breaks off her song and tenderly wipes the sweat from my brow. When the allotted time has elapsed she offers a further five minutes which I decline - and then a welcome shower. Then she brings strong, sweet coffee prepared in the Turkish manner, and a bottle of slivovica, the fiery spirit of the country.

A visit to the Slovenian spa of Zreče seemed a must after a week of gourmandising in country farmhouses. First we had the water massage, when we were immersed in enormous computer-controlled baths heavily scented with sweetly aromatic oils. Then the medicinal bentonite mud treatment, and after that an agreeable swim in the naturally warm thermal waters of Zreče, this most recently discovered of all Slovenian spas. It was immensely relaxing.

Spas in Slovenia were highly developed under the old communist regime, and they are remarkably sophisticated. Technology is advanced and the treatments extremely varied.

Slovenian patients are referred by doctors for treatment after operations or injuries, or for many varied complaints ranging from rheumatism to diseases of the peripheral nervous system and psychiatric stresses. But for fit, healthy people, too, the spas offer considerable benefits at prices which are incredibly cheap by western standards.

It is the same with Slovenian farmhouse accommodation. In this tiny but diverse and very beautiful country you can discover tastes and sensations that are all but forgotten in the west. Processed, industrialised food is practically unknown in Slovenia, and in the country you find meat which is produced on the farm, milk and cream straight from the cow, home-made salamis and prosciutto, cheeses, pickles and preserves, salads, vegetables and fruits from the garden, or from the woods (strawberries, raspberries and bilberries), and excellent wine.

If western tourists have been shunning these delights in the belief that Slovenia is war-torn, Italians - and bears know better. Bears have been making their way north from Croatia in search of a haven, to the consternation of farmers, if not hunters. Many of the latter are Italians. But mainly, Italians go to Slovenia to sample the delights of a peasant cuisine similar to that of north-east Italy but which (unlike theirs) is preserved intact, at least for now.

**Wilma Paterson**

Information about farmhouse holidays, as well as spas, can be had from *Slovenia Pursuits: Brannell's Guides*, Morden, Royston, Hertfordshire SG8 0JP, tel. 0763-88846. There are flights from Heathrow and Manchester to Ljubljana, with Adria Airways. Prices for farmhouse holidays, including flights (B&B in high season) are approximately £280 per person per week; full-board supplement: £45. The Slovenian Tourist Office is at Moghul House, 57 Grosvenor Street, London W1X 9DA, tel. 071-495-4688.

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## FOOD AND DRINK - THE AMERICAN WAY

# A beer with a diva in New York's front room

In Manhattan, diversity is everything. There is something in this inextinguishable city to meet every need, or indulge every fantasy, and its bars are no exception.

If you hunger for reggae with your sushi, blares leather with your beer, simply want to prolong the night with a strong drink and a sympathetic ear, Manhattan's bars have it all.

There is the saloon that has survived two world wars, two stock market crashes, prohibition and faded trousers, twice. The jazz joint that is so laid back it never bothers to take down the Christmas decorations. Or the bar where regulars gather around an upright piano to belt out Broadway show tunes late into the night.

No other city can boast such variety, and nowhere else are bars so tightly woven into the fabric of everyday life. They are not just the preserve of the boisterous male, they are New York's front room. Here are a few of our favourites.

**ARTHUR'S TAVERN**  
The old man with chalk-white hair and thick black spectacles has been an Arthur's regular since the late 1940s. "No Cover/No Minimum," has little to do with his unflinching patronage; it is the music, played in a way and in a place that reminds him of his youth. Arthur's is a rare holdout from the Truman era - Greenwich Village unplugged.

Although it is a jazz joint, you do not have to be a jazz buff to enjoy Arthur's. The music never overwhelms, even if you sit at the rickety counter that surrounds the musicians' podium at the back of the bar. The place is so relaxed and unpretentious that it never even bothers to take down its Christmas decorations.

There are no cover charges, cappuccino makers and no-

about. A moment later, Albert is back slinging vodka-and-cranberries and greeting the regulars with a peck on the cheek.

Welcome to Marie's Crisis. This old bar - Thomas Paine, author of the Revolutionary War's "Crisis" papers, died on the site in 1805 - is roaring good fun whether or not you are gay.

An appreciation for Soud-

woody interior - a place for serious drinking and scheming.

Pete's is also a bar for all seasons. In winter it is warm and welcoming, in summer, tables snake around the corner of the block outside, and the dark rooms inside offer a blessedly cool refuge from the humid heat. It has all the features of an old New York tavern - a tin ceiling, tiled floors, and cosy wooden booths - and serves food in a couple of converted carriage-house rooms at the back.

It is the bar in the front room, however, which lures drinkers back. Often cramped, usually cheerfully noisy, and staffed by wise-cracking bartenders, Pete's is authentic, timeless New York.

**CAFE LUXEMBOURG**  
It is midnight and Cafe Luxembourg is changing from Art Deco bistro to Art Deco bar. The kitchen cools down. Three pretty waitresses in tight black dresses and wine-dark lipstick share a strawberry sorbet at the end of the bar. The slinky redhead behind the zinc counter pours Veuve Clicquot into a crystal flute and greets a patron with a kiss while *Can't Help Loving That Man Of Mine* plays softly in the background.

The bar at Cafe Luxembourg, one of the more urbane and vibrant restaurants near the Lincoln Center, is no afterthought even though it is fairly small. Its style is Tenth Avenue, pre-war, with its Deco light fixtures, mirrors,



Where everybody knows your name: Pete's Tavern an old speakeasy and now a bar for all seasons

Helen Sedman

black and cream tiles and chrome cash register. Vodka martinis, Chardonnay and champagne are the preferred drinks here. The bartenders are invariably exotic-looking women, some of whom can legitimately say they are between roles.

**CHUMLEY'S**  
Lealand Stanford Chumley, a stage-coach driver turned journalist, would not approve of the 1960s rendition of the bar he founded in 1927. Back then, the West Village speakeasy was the sequestered court of

New York's young Bohemians. It was full of trendy writers, actors and socialists. Die-hard "Wobblies" - members of the rebellious, left-leaning union that had blossomed before the Great War as the Industrial Workers of the World - made it their refuge.

Today, Chumley's is a cacophonous fusion of restaurant and bar, the patrons of which look like they spent their formative years reading MBA textbooks, not Marx. Nonetheless, it is well worth a visit.

The food is decent, the beer selection is superb and, clientele aside, it retains the dark, smoky aroma of its Prohibition past. Finding Chumley's is half the fun. It is located behind an unmarked door on enchanting Bedford Street. The original structure was built before the Revolutionary War, in 1732.

During any one week, as many as 60 brands - all of them from American micro-breweries - are on tap. A warning: ever faithful to its past, Chumley's does not

accept credit cards.

■ **Arthur's**: 86 Bedford St, west of 7th Ave. Telephone: 212 675 4449.

■ **Marie's Crisis**: 59 Grove St, west of 7th Ave. Tel: 212 243 9323.

■ **Pete's**: 66 Irving Place at 18th Street. Tel: 212 473 7676. Cafe Luxembourg 200 West 70th Street, west of Broadway. Tel: 212 873 7411.

■ **Adapted from the book "Night In The City - Manhattan's 100 Best Bars"**, which Patrick Harverson and Eric Reguly are writing.

There is a New York familiar to millions who have never been there. It is the screen city of *Kojak*, *Cagney and Lacey*, *NYPD Blue* and *The French Connection*. Law-abiding television watchers around the world know exactly what the inside of a New York police station looks like. We know these are in Manhattan, even if they are only anonymous film sets, because when the detectives are too busy to lunch, their arguments bring them a pastrami sandwich. For me the unsolved mystery at the end of every episode was: what is pastrami?

My dictionary defines pastrami as "highly seasoned smoked meat". The word comes from Romanian via Yiddish, imported to New York by Jewish immigrants.

I went to the Carnegie Deli on Broadway, itself a set in Woody Allen's film *Broadway Danny Rose*. I ordered a pastrami sandwich. The waiter brought me an entire cow, sliced, with two slices of rye bread. There was more meat on my plate than Teyte (of *Fiddler on the Roof* fame) would have seen in a whole year. The sandwich is not so much a reminder of the old

## I'll take pastrami, in Manhattan

Peter Berlin goes in search of a sandwich and finds a symbol of an entire culture

country as a monument to the wealth of the new home. But then at \$9.45 (\$9.50) it ought to be.

The meat was moist and fatty - my waiter had told me not to order "lean" because it would be too dry. The surprise was that it resembled boiled rather than smoked meat; pastrami is smoked and boiled or steamed. It was not particularly spicy. I found it dull and, defeated by the bulk, declined the doggy bag.

Still I may be wrong. The sandwich came blessed by the thousands of celebrities whose signed photos smile down from the walls at the low rows of bare long tables, proud to have eaten at the Carnegie.

The Asian tourist at my table was evidently satisfied, he told his girlfriend that this was the real New York experience. Tomorrow they would come back for a corned beef sandwich.

Carnegie's boasts that it serves the "best pastrami in

the world". So hoping this was an exaggeration, I headed downtown, to the lower east side and the 2nd Avenue Deli.

The menu at the 2nd Avenue Deli offered the information that in 1910, 600,000 Jews lived on the lower east side. The menu also offered beef lo mein and turkey kabobs (sic) as well as the more traditional "Rumanian" tenderloin steak, Nova Scotia lox and potato kugel.

I could not be tempted. I ordered a pastrami sandwich. The decor, like the fare on the menu, was heavy and serious. The sandwich was much the same: an over-generous serving of good but boring meat.

By the time I penetrated the seedier reaches of the lower east side my heart was heavy, and not just with cholesterol. At Katz's, on a stretch of Houston that used to be ghetto but has gone downhill, I received a pleasant surprise.

Katz's has remained where it was and as it was (except for a

modern cash register) while the Jews of the lower east side have moved up and out. Down one wall is a long counter behind which white-coated middle-aged men prepare the food. The motto, unchanged in 50 years, is: "Send a salami to your boy in the army."

I ordered a salami sandwich. The man in the white coat, Robert Krinsky, was distraught when he heard I could not face any more pastrami. He took his knife to his side of pastrami, a slim hunk of meat, which could not possibly have yielded slices of the width that I had so far tried. It was drier and tastier than elsewhere.

I asked Krinsky where pastrami came from. "From New York," he replied, indignantly. "Everything has to do with the fresh drinking water." (Manhattan takes its water from reservoirs in the mountains of upstate New York.) The Indians, says Krinsky, were the first to use the local water to preserve meat.

Salted, pickled or smoked meat and fish and vegetables were always a staple of the Jewish ghettos in Europe, preserved against the bad times.

"Your water in England smells, if you go to Queens (a New York borough) the water there smells." Even the bread, said Krinsky, laying my meat

between two slices of plain, white rye, was better because of the water. "You won't have tasted better bread."

Katz's, said Krinsky, a salesman as much as a sandwich maker, cooks its pastrami, even though that makes the meat shrink and cooked pastrami must be sliced by hand.

Others, he confided mentioning no names, steam theirs.

Krinsky is nostalgic for a lost past. Katz's represents a better time and place. "It is not what it was," he says gesturing to the street outside, "nothing is. It used to be better. For me the 1950s were best." Katz's - large, bare, full of atmosphere

- is the place for tourists to find a good, manageable pastrami sandwich. It may put some visitors in mind of Kojak: for Jewish New Yorkers, like Krinsky, it conjures up memories, not of the old country, but of old New York, a city of immigrant communities where a waiter could look out of the door and see familiar faces.

■ **Carnegie Deli**, 851 Seventh Ave between 54th & 55th. Tel: 212 757 2246.

■ **Second Ave Deli**, 156 Second Ave at 10th. Tel: 212 677 0806.

■ **Katz's Deli**, 205 E Houston at Ludlow. Tel: 212 254 2246.

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which is still without a really successful independent food, wine and leisure magazine.

American restaurateurs have more than matched their customers' enthusiasm for better food and service and have overcome major obstacles with a typically American "can-do" philosophy.

When the neo-Prohibitionist lobby threatened to dent sales of alcohol, American restaurateurs were the first to offer a comprehensive range of wines by the glass. Drink less but better has been a successful marketing campaign.

When the going got rough, tough American restaurateurs got going. With the recession causing the prospect of thousands of empty tables in the spring and summer of 1992, some 100 New York restaurateurs devised and promoted the \$19.92 lunch which filled tables and rekindled demand.

Two final snippets whetted my appetite for a culinary trip around the US. The first was a late-night discussion with Jean-Georges Vongerichten, one of New York's most exciting chefs.

In addition to his two restaurants, Jo-Jo's and Vong's, Vongerichten plans to open a third in the autumn, where you will pick up a trolley at the door, buy fish, whole and filleted, which you can take home and cook or it will be cooked for you. Finally, there will be a restaurant proper.

This weekend menus arrived for diners to be held in Chicago which exemplify the style of cooking which makes eating out in America so exciting. The celebrated chef Charlie Trotter will be cooking yellowtail tuna, marinated with chili and sizzling sesame oil, diver-harvested scallops with charred bell pepper tapenade, organically-raised venison with sweet potato tortellini and, as a dessert, a poached plum with star anise ice cream. But an airline ticket was not included.

Nicholas Lander



## PROPERTY

# Sotogrande – an estate with the Californian touch

Gerald Cadogan visits southern Spain to see where smart development was pioneered on the Costa del Sol

On landing at Gibraltar airport, it is easiest to walk through the frontier into Spain. If you are in a car, you could be delayed. A poster warning of "very dangerous" terrorists greets you and dogs wait to catch a whiff of drugs. Go a little further and you find the Guardia Civil parked by the sea, binoculars searching for speedboat-borne smugglers from Morocco.

Just over the border is La Línea where, for 200 years, British servicemen rested from the Rock's confined life. The closing of the frontier for many years up to 1962 was hard for La Línea and the country around. Moroccans took the jobs Spaniards had held and the easy way to the Costa del Sol from Britain, then Spain's biggest market, was shut.

This helped Malaga airport, but reaching Marbella by the old coast road was a nasty and dangerous drive. Today, though, the motorway and bypasses make it easy from either airport. Gibraltar has fewer flights and smaller planes but is probably preferable for places west of Marbella. And its duty-free prices are phenomenal.

There is still unspoiled country close to the border and up in the hills (where people suffered badly in and after the 1936-39 civil war for supporting the republicans). Cork oaks abound. The Rock rules the sea view, although often it is surrounded by fog. Beyond, and not far away, are Africa's Atlas mountains.

The 1,618 hectare (4,000 acre) Sotogrande estate, between Marbella and Gibraltar, pioneered smart development on the Costa del Sol and is now 32 years old. Its first golf course was completed in 1965 and the second in 1975. Wide roads were built and utilities installed from the start.

Today, it is a bit like California, a mix of Mediterranean scrub and lush trees, flowers and lawns where



Sotogrande's new inland marina, where a mooring costs Pta4.5m

the ground has been reclaimed and watered. Indeed, water is not a problem for Sotogrande, which extracts what it needs from the Gaudiario river that flows through the estate (and brings migratory birds).

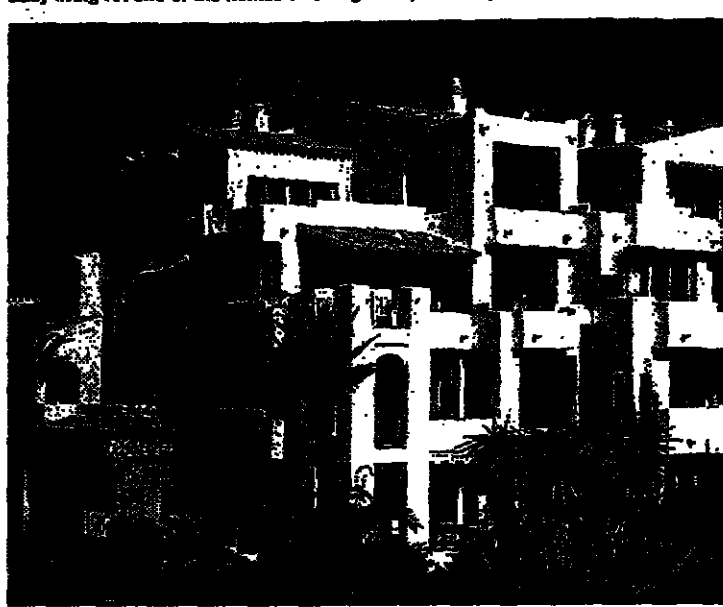
The owner of the estate is the Sotogrande Public Company, which has at least 20 years' more sales in prospect before the estate is full. Even then, it will not be cluttered. The main shareholder is Carlo de Benedetti's Cofir group.

Like the rest of the Costa del Sol, boom and gloom has been the story of Sotogrande. The boom years were 1971-74 and 1983-87 but the recent decline started late in 1989, a year when 43 per cent of all foreign investment in Spain went on property in Malaga province; by last year, prices were 40-50 per cent down on 1989-90.

The fall of the pound in September 1993 made matters worse, while lower interest rates hit British pensioners. The subsequent decline of



Easy living... one of the homes at Sotogrande, where space remains for 20 years' more sales



The Marina Puente Romano, where 234 apartments are built around gardens

the peseta (now around Pta200 to £1) has been some recompense, but many homes are for re-sale along the coast.

It looks now, however, as if prices have bottomed; many more people are inquiring and some are buying. In Sotogrande, inquire at the sales office; elsewhere, Hamptons/Randall-Williams and B.D. Wood offer a good selection.

Sotogrande slashed prices last year on 43 unsold apartments and only seven are now left (at realistic and attractive prices

between Pta16m and Pta33.6m).

That has released cash for the first phases of a new inland marina where house prices (Pta16m to Pta29m) include the entrance fee for the two beach clubs – which are still old-fashioned enough to separate children and adults. A mooring costs Pta4.5m.

To maintain standards, the company has decided to stop selling other plots to outside developers and, instead, is building the houses itself. Most cost from Pta30m to

Pta40m – the cheapest is Pta27.2m and the dearest Pta60.5m. They are ideal for the three golf courses and two polo grounds: the sport still attracts the British army from Gibraltar.

Golf has been a boom sport in Spain in the past two decades. Robert Trent Jones laid out the Sotogrande courses, of which the best is Valderrama (a handsome, private club which hopes to host the Ryder Cup in 1997). The nine-hole La Canada course is the only municipal layout in Spain and there are plans to build another 27 holes, making 72 in all.

Sotogrande is not a British enclave – about half the sales are to Spaniards, mostly from Madrid and the Basque country. But the British are nibbling again and the Germans now constitute about 15 per cent of the market. Among the rest are people from Hong Kong, South Africa, northern Italy and Morocco. An international school follows the British and Spanish systems.

Marina Puente Romano is an apartment-only development east of Sotogrande and just west of Marbella, next to the Puente Romano luxury hotel. La Concha mountain dominates the view on the land side, and a neighbouring mosque, built by the Saudi royal family, is a surprise reminder of the Moors who occupied southern Spain. The Roman bridge (puente romano) survives in the hotel garden.

The 234 apartments are built around three gardens, each with its own swimming pool. Best of the gardens is the Japanese – the others are Persian and Andalusian. The entrance fee for the top-class on-site tennis club is included in the price of the apartments. Although serious marketing began only last year, 35 per cent are sold already, with a mix of buyers similar to Sotogrande.

Prices range from Pta33m to Pta130m (for penthouses which have their own private pools on the balcony). Cheaper units are farther from the sea but the Persian Garden is only 25m back; it had received planning permission, and work had begun, before a law was passed that all new buildings must be 100m back. Basement parking and storerooms are extra while the monthly community charge includes water.

Close by is Marbella, now a much cleaner town thanks to its controversial mayor, Jesus Gil y Gil, who has tackled its drugs and crime image with gusto. The old part, particularly, is well worth an hour or two's meandering.

Further information in Spain (dialling code from the UK 010-94): Hamptons and B. Randall-Williams, Marbella, 52-861 909; Puente Romano, 52-825 882; Sotogrande, 56-790 304; B.D. Wood, Marbella, 52-883 710.

In London: Knight Frank & Rutley, 071-629 8171.

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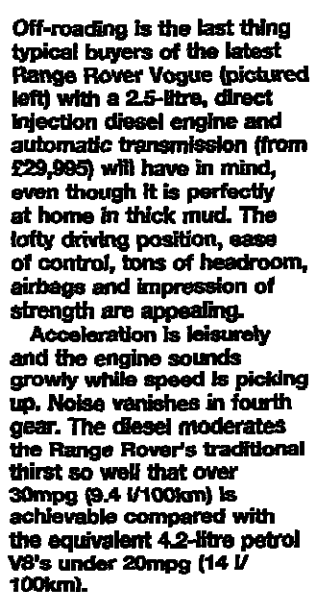
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## INTERNATIONAL PROPERTY



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admit they do. That is why recreational riders such as me are quite properly banned from areas such as Ashdown Forest in Sussex when the conservators consider horses would damage rain-soaked soil unacceptably.

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most newsgangs have them - and turn to the small advertisements. Landowners have realised money can be made from allowing 4x4 owners to play with their machines over rough country - for a fee. Some even provide a pressure washer to get rid of the filth afterwards.

Off-riding on these private courses will not offend walkers or riders. It is a nice little earner for farmers who are

coaches will not cheat winners or riders. It is a nice little earner for farmers who are down to their last Jaguar. And 4x4 owners who have not been on a training course will get some idea what their vehicles can do when given the chance to show their mettle.

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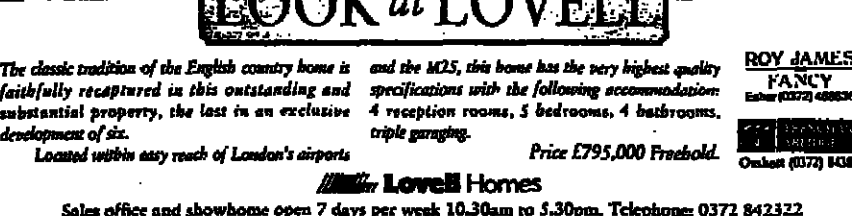
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## SPORT

## Soccer

# An English frenzy is on the way

Peter Berlin on how teams aim to add to their playing staffs this summer

Tomorrow afternoon, on the last day of the English league programme, Manchester United can finally take the field wearing the champion's crown. The surprise is not that they have won the prize for the second year in a row, it is that the coronation has been so long delayed.

Early this year United were top by more than five wins. Yet their final triumph was delayed until the last week of the season - by dogged pursuit from Blackburn Rovers who were not knocked out of contention until they lost at Coventry on Monday.

Manchester United will remain in the spotlight for another week as they pursue the double against Chelsea in the FA Cup final next Saturday. There will be time to consider their strengths and occasional frailties then. The final weeks of the season have shown that the butterflies United suffered when Leeds United closed on them in similar fashion two years ago have flown.

Two years ago, while Leeds were wrestling the title from United's grasp, Blackburn were clawing their way into the old second-division play-offs. It took a much-debated penalty to beat Leicester at Wembley and make Rovers founder members of the new Premier League as they were of the old Football League. Since then Kenny Dalglish, the manager, has used the millions of Jack Walker to build a title contender.

Blackburn, soccer and money have always gone together. The town is the birthplace of the professional game. Rovers were founded in 1875 and turned professional five years later. They were the first northern team to appear in the FA Cup final when they lost to Old Etonians in 1882. The next year Blackburn Olympic beat Old Etonians. It was Old's sixth and last appearance in the final, the end of an era. Rovers won the following season. Hard northern cash had banished the southern amateurs.

Even though Blackburn were part of football's old aristocracy, they are now the flashiest of its nouveau riche; a small-town club plucked from obscurity by an extremely wealthy fan and competing with the old money of Manchester United. The fact that the league boiled down to a contest between these two suggests just how far, in 1994, money is a key ingredient of success. But it is no guarantee. A glance down the Premier League

table proves that. When Dalglish became Blackburn manager he took over a solid second division team without any stars or the large, talent-stuffed youth programmes which the glamorous clubs are able to run. In the circumstances he has spent his pile of cash with surprising patience. He has given most of the big-money signings a little while to bed down before buying the next one and he has stockpiled young talent.

His squad is still shallow. In the first month the club struggled without the wonderful Alan Shearer. Over the last month the majority of its other seven-figure signings - Ripley, Batty, Gallagher, Newell - have been injured.

Yet Blackburn plodded on. For the run-in, the core of the side, the central defence and midfield, was made up of men who played in the promotion team. Their sustained challenge is proof that Dalglish can coach as well as shop. His team is big, fast, tough and hard working. Its success is based on relentless pressure. It counter-attacks quickly and makes the most of corners and free kicks. Wimbledon have shown that this formula can turn a team of cast-offs and bargains into a force. Blackburn have shown that even paying players £3,000 a week need not dull their appetite.

While Dalglish was turning round a second division team, his successor at Liverpool, Graeme Souness, was spending large sums of money turning a good side into a mediocre one. Souness has lost his job. So has Howard Kendall who managed Everton to two league titles. Today, Everton need to win while others lose to avoid relegation.

Manchester City and Spurs also flirted with relegation. City chucked one last sack of money at the problem and staged a rally which means they should stay up. Tottenham, who scraped clear on Thursday with a win at Oldham, tried the same trick but the more players they bought the worse they played.

All three clubs have been weakened by boardroom battles. All three have switched managers in the last year. All three seem locked in an eternal cycle of reconstruction. As each has slipped further behind the top teams, they have become more impatient for success but have found greater difficulty in attracting the very best players. Stability, not money, was the missing



A near miss: Alan Shearer, England's footballer of the year, spearheaded Blackburn's failed challenge

ingredient.

These three clubs are part of a weak group of eight or nine clubs at the bottom of this year's Premier League. Last season, Crystal Palace were relegated with 49 points; at least eight Premier League clubs will finish with fewer points this year.

Most clubs have had little problem spending the increased wealth generated by the Premier League, many have failed to translate it into improved teams. The unprecedented

carnage wrought by first and second division clubs on their elite relatives in the two cup competitions suggests that the gap between the rich Premier League and the rest is not widening but shrinking.

Many of the talented youngsters who shone for lower-division teams in the cups will make the leap to the Premier League this summer as clubs scramble to close the gap on United and Blackburn by spending. The tenor of the auction has already been set.

Queen's Park Rangers are taking bids for Les Ferdinand, sometime England centre-forward. The asking price is £4m and United and Blackburn have their bids in as do Newcastle United, who are third and Arsenal, fourth.

If George Graham, the parsimonious Arsenal manager, feels he must spend such sums on the team which won the European Cup Winners Cup with such grit on Wednesday, then English football is in for a spending frenzy this summer.

## Cricket

# Dreams of a trip to Lord's

To celebrate the 33rd year of the National Village Cricket Championship, I took my husband last Sunday to see one of its opening round matches for this season, which gave us some splendid cricket.

We watched Barrington, near Cambridge, at home against Pytchley, who had come from near Kettering, Northamptonshire. Both teams are in group 16: Northamptonshire, Cambridgeshire and Norfolk.

This contest was supervised by one umpire from each team. The Barrington umpire was a noble figure, in the best village tradition of long, white coat far below the knees and clear decisions softened by smiles free of teeth. A tireless supporter of his village's cricket, he had moved from playing to umpiring as years passed by.

Barrington is keen on its cricket. Gary Smith, the captain, looked down last Sunday's page in the Barrington score-book, in the care of a villager, and told me "nine of the lads are from the village".

A cement works not far away employs most of the village and supports its cricket. The works is going to pay half the cost of extending the sturdy little pavilion.

Cricket and football are played on the same stretch of long, thin village green, cut as occasion demands. The wicket did not look bad on Sunday, but the cutting of the uneven outfield that weekend, ready for cricket, had not served to speed it up. Whatever landed on the outfield stopped dead. Barrington players knew its evils and some took aggressive action to overcome them, including "the famous square upper-cut airborne towards the boundary".

The championship is organised by The Cricketer magazine, which has no illusions about the difficulty of finding such teams. Susan Hill, who is one of those running the operation, laughed when I asked whether players are meant to live in their villages. "That would be impossible to work out or enforce. We would spend all our time checking addresses."

They have settled for getting together teams of village players. Every player must be a paid-up member of his village club, who has played at least eight outdoor matches for it in the last two seasons. No problem for Barrington.

Every village must also provide an umpire for the first four rounds and a scorer for all the rounds. Barrington's scorer on Sunday was Mr Wilkins. Pytchley's scorer was Sylvia, who scores for them every weekend, "as a way of getting out". Sadly for Pytchley, the Barrington wicket-keeper, Marcus Jernham, kept the scorers hard at work with 50 in 84 balls, including some fine shots. He was 62 not out at the end of Barrington's 40 overs.

His captain too was hitting the ball well before being caught behind for 22, attempting an ambi-

tious cut. Young and generously built Keith Faint was smiling rather than hitting, with a vast six into a nearby garden, then played on for 27. But the most sparkling cricket was one of those miraculous moments that can never really be described: a high, leaping, one-handed catch, facing the sun, by a Pytchley deep fielder called Weston. To remove Barrington's hard-hitting Mr Heginbotham, scourge of the nearby garden.

Scoring eased and in the end captain Smith was not over-pleased with his team's total of 178 for six.

"I prefer about 200 in this sort of game," he told me, but with a quiet smile. He knows his bowlers, starting with Evelyn openers Faint and Chicken, experts at extracting nasty bounce from the Barrington pitch. No runs were scored off the bat by Pytchley until the sixth over. Bowlers are allowed nine overs.

Teresa McLean goes to watch a fiercely contested match on the rural road to a cup final

and Barrington's opening spell on Sunday was enough to warn poor Pytchley of its imminent dismissal for 52. Barrington is used to getting through the first few rounds. It once reached the group 16 final, which it lost but which boosted morale and re-enforced ambition.

"The main reason we enter is to play in the final at Lord's," the vice-captain told me.

The Cricketer confirmed this as the motive for most villages' participation. About 650 villages take part each year. Sometimes the whole village turns out for the final, complete with village loyalists who have no interest in the game. Some hire five or six coaches to London. Troon in Cornwall, the first champions, hired a train.

The 1994 Championship Annual describes last year's final between local rivals Kington (Herefordshire) and Frocester (Gloucestershire), as well as the banquet for players and wives at the Regent's Park Hilton the night before. Hill told me: "The villagers have a marvellous time. It's a real treat for them."

Might not some villages prefer a donation to their cricketing efforts, rather than a banquet?

"The question is less likely to arise this year because, the annual explains: 'Bothmans UK Ltd, who have recently sponsored the competition so generously, have opted out due to a change of policy.' A new sponsor is wanted."

All that is wanted at Barrington is to reach Lord's. In the next round, it is another home match: Barrington versus Barley. I enjoyed the last game enough to go and watch the next one.

## Tennis/John Barrett

# Rome courts change

On and off the court, there is a new look about this year's Italian Open. That old Romanian rascal Ion Tiriac has bought the commercial rights from the Italian Federation, replacing International Management Group in that role. "I must have been mad to guarantee them such a sum," he says. "Please don't ask me how much it is. Every time I think about it I faint."

To protect his health, Tiriac has shrewdly lured away IMG's Cino Marchese, to help with the promotion of the tournament. Together they have invited some blue chip companies to the party: title sponsor Mercedes-Benz, Nokia, Rado and IBM among them. Doubtless they are paying handsomely for the privilege of prominence, but it seems to work.

Players and VIPs are whisked to and fro between the Hilton and the Foro Italico in the sponsor's gleaming limousines. Everyone who is anyone carries a portable telephone; many actually use them. Rome's beautiful people, who by tradition have always flocked to the elegant surrounding of the commercial village for lunch, are there again in large numbers - principally to be seen.

Some have even been watching the tennis where the theme of change persists. Two women who have been causing havoc are the 18-year-old Italian qualifier, Adriana Serra-Zanetti, a pocket Hercules of a girl who smites the ball two-fisted on both wings à la Seles, and Irina Spilrea, a willowy Romanian who admits to being on "Hill" terms with Tiriac.

Serra-Zanetti, a former Italian national champion in all age groups from 12 up, has beaten Anke Huber, the world

number 11, as well as Brenda Schultz, the 10th seed. These successes alone will earn her more ranking points than the combined total of 97 she has amassed from 15 tournament appearances since joining the professional tour last year. Her present ranking of 197 will improve to around 100.

The spindly Spilrea reminds me of another fine Romanian, Virginia Ruzici - especially the long legs - which, my wife says, I am not supposed to notice. They propel the 20-year-old Spilrea around the court with great efficiency as she thumps the ball into the corners. She thumped too many for the former champion, when she beat third seed Gabriela Sabatini on Wednesday.

How sad it was to witness the further disintegration of a fine athlete whose world ranking has slipped to seven. A catastrophic lack of confidence is at the heart of her present problems. It was here in Rome two years ago that the Argentine right-hander who had won her first meeting one month ago on clay at Hilton Head. The score then had been 4-6 7-5 7-5 and Martina had been fur-

ious with herself for letting slip a winning chance in the second set.

In Rome it seemed for a moment that history might repeat itself. After winning the opening set easily on a cold and windy afternoon, Martina's length on return of serve deteriorated. Her opponent took her chances well and hit many blazing winners from mid-court to sweep through the second set. Order was restored in the decider as Martina's depth of placement improved. At 5-3, though, she was broken and she was fortunate that her younger opponent did not know how to sustain the pressure. Keeping the ball in play when it most mattered, Martina broke to 15 for victory.

Navratilova may not win this title. It would be surprising if she did because in all her 20 years as a professional she has never won a title on Italian soil. Furthermore, she came here at the last moment as a wild card to fill the vacancy left by the withdrawal of Steffi Graf. "I probably would have played anyway," she reflected. "After two first rounds [at Houston and Hilton Head] and a semi [Amelia Island] I need the match play."

The tournament's need for her presence was even more serious. With Monica Seles understandably postponing her return while her father is being treated for cancer, and the date of Jennifer Capriati's return still uncertain, the women's game is over-dependent on the presence of Graf. Navratilova and Arantxa Sanchez-Vicario.

With this state of uncertainty and no new stars on the horizon it seems unlikely that the Women's Tennis Council will find a sponsor to replace Kraft General Foods which withdrew at the end of 1993.

Today fortress Twickenham (two huge raking new stands built; two to go), again posts "house full" notices. In the process, the gate for the Pilkington Cup Final between Bath and Leicester will beat the £6,000 for the Varsity match last December and set a new world attendance record for a club game.

Bath and Leicester are by some way the leading two clubs in the four home unions. They badly need a European club competition if they are not to grow stale.

Leicester were the team of the late 1970s and early 1980s. Before leagues became established, the cup competition was the criteria by which success was judged. Losing finalists in 1978, Leicester then won three cups in a row and were losing finalists again in 1988 and 1989 (against Bath). It was only last year that they began to re-emerge, winning the cup against Harlequins.

In the 1970s Leicester played a style of rugby which was exciting, open, adventurous, intelligent and pacy. Generally they did this with a small but perfectly competent pack and a fast-ish back-row. Critically, in the five single positions on the field, hooker, number 6, scrum half, outside half and full back they had five international players: Peter Wheeler, Gary Adey, Nick Youngs, Les Cusworth and Dusty Hare.

A decade on there is only one international in these single positions, the evergreen number 8, Dean Richards, the players' choice for player of the year.

Bath, by comparison, were a joke side. I should know. I played for them for four years. Under "Grocer" Jack Rowell this has changed. Bath emulated Leicester. They have done that very difficult thing. They have, like the Australian national side, managed change successfully.

With Rowell being elevated to the England coach is this the end of the line for them?

## Rugby Union

# Big guns battle at the fortress

Derek Wyatt looks at the clubs in today's cup final



Bath time: Stuart Barnes, a keystone in the team that dominates English rugby

Brian Ashton, Rowell's successor, has been his assistant coach. As a player, Ashton was desperately unlucky not to be capped by England. He was, with Jacko Page, one of the two best scrum halves in the country.

In the 1970s, Page played when England beat Scotland 74-0 but he was not selected for the Australian tour of 1976. Ashton went as the senior player with Peter Kingston from Gloucester (also uncapped) as his deputy.

The week of the first international Ashton had a family bereavement and flew home. Kingston won two caps and we never heard from Ashton again.

Under Rowell, Bath's success has been quite astonishing, beyond anything the city has experienced before.

Leicester always had a more serious pedigree. Their annual game on Boxing Day against the Barbarians, which dates

back to 1800, has always been a sell-out. Nevertheless, their comparative lack of success in the middle and late 1980s forced them to advertise for a chief coach. They made the sensible decision to bring in a fresh face, Tony Russ, from the Saracens club and have worked hard to make the jump back to first class.

A win this afternoon would be a deserved return for their work. It will not be easy. Bath are

a formidable team, able to soak up enormous pressure and score the winner when the game is two minutes into overtime. Just ask Harlequins who lost in the semi-finals this year and in an epic final two years ago.

It is now Bath who have the five crucial positions: Graham Dawe (playing better than ever), Ben Clarke (ditto), Richard Hill, Stuart Barnes and Jon Callard.

But, their best player of the season is undoubtedly Mike Catt who was capped right at the end of the game against Wales. Catt reminds me of Jean-Claude Gachassin, the free-thinking French, three-quarter of the 1980s who could play anywhere and frequently did. He was rugby's equivalent of Johann Cruyff, the Dutch soccer star.

In eight days, the builders will start hacking at Twickenham's West Stand. Its replacement should be complete within 15 months. The RFU borrowed £24m before they knew that their share of the next television contract for the Five Nations Championship would net them, close to £12m.

Rugby's negotiators managed to keep two secrets. The first was that Sky, the satellite channel, was never interested; the second was that the bidding between ITV and BBC was very close. In sealed bids ITV offered £27m; BBC topped it by £250,000.

Next Friday, at the Dorchester, rugby pays homage to the Penguins and to Tony Mason and Alan Wright, two stalwarts of Sidcup who founded the touring side 35 years ago. Since then the Penguins have visited 32 countries including the Soviet Union in 1977, Brazil in 1984 and Malaysia in 1994.

For players past and present, rugby is still the best annual team game in the world. The Penguin club epitomises this perfectly.



## BOOKS

## Poet's life as art

Of the great American post-war poets, Elizabeth Bishop was by far the most sane. Her friend Robert Lowell was a manic depressive; her mentor Randall Jarrell threw himself under a truck; other near contemporaries, such as John Berryman and Sylvia Plath, also committed suicide. Bishop by contrast never acted the tortured genius. She had a bizarre, difficult life, she was absorbed in her art, often taking a decade to find the right word to finish a poem. But when she died in 1962, it was her "modest lifelong impersonations of an ordinary woman" that were remembered.

And so it is in her letters, where the ordinary woman, honest, affectionate, domestic, dovetailed with the extraordinary poet, reserved, finicky, always striving for the perfect composition. For anyone interested in how life becomes art, this volume is a joy. An odd invitation to take Marianne Moore to the circus, for instance, recalls *Efforts of Affection*, where the two poets feed performing elephants brown bread. In the letters, formal Miss Bishop lets her hair down, but is still just an echo away from the offbeat, understating, impeccably polite poet. Her art has always seemed curiously mannered, in the light of these letters, it looks more like the natural extension of her temperament.

Literary New York on the razzle, then, has Bishop's charming restraint. At a breakfast party Mary McCarthy

ELIZABETH BISHOP: ONE ART, SELECTED LETTERS  
edited by Robert Giroux  
Chatto & Windus £25, 608 pages

"rept into the better" when she made lumpy popovers. Bishop got drunk on vodka at the Lowells, fell and broke her shoulder, and "I find I owe you \$105 for my delightful ambulance ride through the park." There is much good living ("please eat a lobster for me") little gossip ("the newly married Valerie Eliot looks like an English pudding"), almost no confessions. When Lowell pours out that proposing to her was "the might have been for me", Elizabeth replies, four months later, only with an effusive thank you for a Christmas gift, ending "remember me to your lady".

Nevertheless, Bishop's letters form a vivid autobiography. Born in 1911, her mother went mad, she was orphaned at five, brought up by grandparents, and felt rootless until her forties - as the string of rapidly changing addresses confirms. After stardom at Vassar, Bishop was taken up by Marianne Moore, and won the Pulitzer Prize for her first poems, *North and South*, in 1946. Letters to Moore and Lowell here stand out as labours of love: elegant, contrived almost as works of art, generous yet distant - Miss Moore takes four years to ask Miss Bishop to call her Marianne.

In 1951 Bishop, now famous, visited Brazil and fell ill in the Copacabana Beach penthouse of her hostess, Lota de Macedo Soares. As she recuperated, Lota fell in love with her and asked her to move in. "It was the first time anyone ever offered me a home, or so much. Lota's gesture meant - just everything."

She loved exile. Lota was devoted to strict - when visiting poets stayed up chatting, she pounded on the wall, ordering them to go home - and they fought over Bishop's drinking (a friend ambiguously called her "the soberest poet we've had here yet.") After 15 years Elizabeth returned to New York. Lota, ill and depressed, cabled that she was following. They met at Kennedy Airport; at 6.30 the next morning, Lota crept out of bed, took an overdose and died.

Elizabeth probably needed those close to her to live on the edge of madness - she committed her next lover to an asylum - while she survived and rooted herself in the everyday. Salamanders, sulking babies, housepainting, trips to the post office, making a custard, fill her letters: as in her best poems, emotion and meaning suddenly emerge from a casual moment. Of confessional poets she writes, "You just wish they'd keep some of those things to themselves." As the opposite of a kiss-and-tell memoir, this book is a revelation about the private woman behind Bishop's poetry.

Jackie Wullschlaeger

There has never been much dispute that if it had not been for the second world war, Winston Churchill would have gone down as a political also-ran. Having entered Parliament at the beginning of the century, he was overtly over-ambitious, an uncomfortable colleague in any cabinet, changed party not once but twice, had a string of mistakes and lost causes behind him and a habit of losing his seat in elections.

There is not much to be said for his performance after the war either. He sulked at the Conservative Party's defeat in the general election of 1945, though the result was more due to social change than a personal judgment on him. Thereafter he stayed too long as party leader. He returned as prime minister when the Conservatives won the election of 1951 and spent much of the next few years resting advice from colleagues and friends to

## Noble through a nightmare time

Whatever his defects, Churchill deserves better than this book says Malcolm Rutherford

retire. The new post-war conservatism owed little to him. Only recently, however, have attacks begun on Churchill's conduct of the war. Clive Ponting, the former civil servant who fell out with the ministry of defence over the *Belgrano* affair in the Falklands War, lays it on with a shovel. For Ponting, Churchill the war leader was no better than Churchill the peacetime politician: selfish, inconsistent and often plain wrong.

If one accepts the initial premise that Churchill was a bad man to start with, the argument is carefully built up. The chapters on the second world war occupy less than a quarter of a book of 900 pages; the section on Churchill after

1945 is perfunctory. The wartime prime minister has already been condemned by his words and actions before 1940, and the condemnation is not only political.

Here is an example of Ponting's style: "Churchill was also not a particularly attractive figure. He was below average height (five feet six inches tall), with a large head (balding from an early age), a small hairless chest, small hands and feet, a less pronounced version of his father's large staring eyes, and smooth, soft skin (which he wrapped in silk underwear and bathed twice a day)." Before that we have learned that Churchill "never travelled on a bus in his life, and travelled on the under-

ground on only one occasion, when he promptly got lost."

The sneering goes on. Ponting has further defects as a historian. He quotes selectively. He suggests that Sir

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COLLECTING

# Collectors still play hard to get

Good omens in the saleroom have yet to progress into a firm revival, says Antony Thorncroft



This painting by Jacques Joseph Tissot, "Chrysanthemums", is on offer at the Christopher Wood stand at the first summer International Fine Art Fair to be held at the Armory in New York from May 13-17. It is priced around £700,000.

Wood is one of many British dealers among the 67 exhibitors at the fair, which is one of the most international ever held. Also making the trip from London to take advantage of a more buoyant American market are, among others, Agnew, Brown & Darby, Colnaghi, Richard Green, and Hazlett Gooden & Fox. Among the highlights on show are a Renoir portrait of a young girl priced by Hammer Galleries at \$3.5m.

Many antique dealers are starting to resemble Pagliaccio, the clown. Time after time they put on the motley - beautifully displaying all their wonderful goods and standing by them with their most welcoming smiles - only to be left drained and disappointed at the end of the day. Despite many false dawns a consistent improvement in the demand for antiques refuses to emerge.

You can see them this weekend at the Duke of York's Headquarters in London's King's Road. For the second successive year around a hundred top dealers, all members of the British Antique Dealers Association, have gathered together in a plush marquee to show off antiques. It makes a splendid sight, but grandeur alone may not be enough to give the trade the jolt it needs.

The BADA Fair is pitched about half way between the hurly burly of Olympia, opening on June 2, with its 380 dealers making the exhibition centre look like an exclusive souk, and the international glitz - and mega prices - of Grosvenor House, (opening June 9), and it will appeal to the solid British collector who likes to fill his home with fine things.

The problem is that such collectors have got out of the habit of buying. The travails of Lloyd's play a part in the halcyon past many Names used to invest their annual pay outs in antiques. The trade is amazed that the crisis at Lloyd's has not forced more antiques on to the market - although this could happen when the final reckoning arrives - but it has certainly shrivelled demand.

Some sectors, like furniture, have held up well during the recession, and Witney Antiques, for one, reports that business this year to date is 40 per cent higher than in 1993. But picture dealers in the main have seen too many revivals peter out after a couple of months to be really optimistic. According to a recent report by Butler Research, the number of antique dealers in the UK has fallen by a quarter, to around



'East Howe's Action of the 1st June 1794': a coloured aquatint engraving from a painting by Thomas Lany on Frank T. Seiler's stand at the BADA fair

8,200, since the 1990 boom, while turnover has declined from approaching \$3.5b in 1989 to under £2b last year.

Things should be getting better - the economy looks promising; house prices seem to be on a gentle rise, which should stimulate home re-furnishing; and there have been some healthy stock exchange bonuses this year. Leslie Weller of Michael Norman Antiques is encouraged by the number of City traders who have started to spend between \$5,000 and \$10,000 a year on acquiring a Georgian table or a Regency desk as a tangible expression of their success. Many become serious collectors.

But to date good omens have not progressed into a firm

revival. The antiques market was late into the recession and it is slow to emerge from it. The best consensus is that trade is not deteriorating and that most dealers are busier than a year ago. The impetus for the improvement is coming from the US, where business is much brisker. Many of the leading British dealers traditionally sell extensively to Americans, and there are signs that more will be coming over this summer.

At the BADA Fair the red spots for a sale were appearing this week with encouraging frequency at Spinks, William Drummond, Key Antiques, and elsewhere. John Bly sold a pair of fire grates, of 1880, for £18,500 and Derek Roberts three carriage clocks for £17,000. It could mean that, with prices so comparatively low, some pent up demand is finally bursting through.

This could be the ideal time to buy - the only reservation being that there is a real scarcity of top class antiques. Many of the finest items changed hands during the 1990s boom, and the minority of new owners wishing to sell are waiting, where possible, for a price upturn. If anything of top quality does emerge, it commands a premium.

Some seasoned dealers, like George Levy of Blairmans, think that there might have been a sea change in the antiques business, and that there will be no return to the unsustainable boom of the late 1980s. He worries that the introduction of VAT on imported antiques from non-EC countries, even though it has been set initially at a low 2.5 per cent in the UK, sounds the death knell of London's pre-eminence as an international art centre. Once accepted, VAT could rise remorselessly.

Levy also thinks that the auction houses have succeeded in convincing a substantial number of new collectors that they can buy direct from them rather than relying on the advice of dealers. This is cer-

tainly the case in such markets as 20th century British pictures and furniture.

There is an obvious contrast between the current fortunes of the dealers and of the auction houses. In 1993 Sotheby's managed a 32 per cent rise in sales in sterling terms to \$579m and Christie's a 14 per

cent improvement to just under \$730m. In contrast, only 2 per cent of British dealers managed sales in excess of £1m last year; in 1991 3 per cent hit the £1m turnover target.

Not surprisingly, helped by their massive marketing teams, it is the auction houses that grab the headlines and give a rosy glow to the state of the art trade. So Christie's in March had its best modern British sale for years, with 98 per cent sold and records for such varied artists as Gillman (£110,500) and David Sheppard (£40,000) while last month Old Masters brought in £7.3m, (84.5 per cent sold) with a Cavalletto way above estimate at £2.1m (in contrast, one Mayfair Old Master dealer went six months without a sale). An English furniture auction totalled £1.4m and was 36 per cent sold.

Collectors have also maintained their enthusiasm and this year to date Christie's South Kensington has managed a record of \$2,520 for a drawing by Beatrix Potter, a record \$580 for a 1780 Valentine card and a record \$3,850 for original postcard artwork; and a record \$12,100 for a Disney toy, a clockwork Mickey Mouse cranking an organ. In the US Sotheby's secured a record \$63,000 for a baseball bat: it had been used by Babe Ruth.

Henry Wyndham, chairman of Sotheby's in London, reports that sales this year are 4 per cent up, and its good things are yet to come. This week

encouraged by last winter's auction, it accepted higher reserves on contemporary pictures and was left with almost half the lots unsold. Buyers are still selective; there are many fewer of them than five years ago (the Japanese have almost entirely disappeared); and they are unwilling to pay over the odds. They know they are in the driving seat.

The theory is that a successful New York black tie auction of Impressionist art will have a knock on effect down as far as the rag, tag and bobtail of Portobello Road. If the rich feel confident enough to buy art again then, in time, so will the middling classes, which include the true lovers of art. Many dealers have become impoverished waiting for the upturn that they have given up the business, or cut costs by trading from home. Those that have held on, or some of them, may soon experience the first stirrings of recovery. Or maybe not.

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Small painting by Willem de Kooning, 'The Artist's Mother', 1955. Photo: M. G. G. / Contrasto

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## ARTS

## How a closet comedian came out

Nigel Andrews talks to Leslie Nielsen, 'Naked Gun' hero and cinema's surest serial laughter-raiser

Consider the bizarre career of Leslie Nielsen. A man is born near the Arctic Circle. Descending to the US, he ascends the Broadway stage as a leading actor and soon after becomes a name in lights in Hollywood (*The Vagabond King*, *Forbidden Planet*). He spends 20 years drifting through lead roles in smallish movies and historic comedies in big ones: including the Captain who capsize the *Poseidon*. (Single indelible line: "Ohh my Gohh!") Then he turns to comedy, in *Airplane* and *The Naked Gun*, and starts to carry entire hit films on his now 60-year-old back.

It must be sorcery. Ever since America's centre of witchcraft moved from Salem, Massachusetts, to Hollywood, California, this kind of thing has gone on. But Nielsen embodies something else too: he is modern Hollywood looking back post-modernly on old Hollywood. The characters Nielsen plays for laughs are the same, to all purposes, as the ones he played 40 years ago with a frown. Re-script his earliest spaceship captain in *Forbidden Planet* for the new gobbledook, and you would have an advance simulacrum of the Air-

plane doctor who said "Don't call me Shirley" or of Lieutenant Frank Drebin in *The Naked Gun*. "They spotted me for what I was, a closet comedian," Nielsen says of the *Airplane*/*Gun* team. David and Jerry Zucker and Jim Abrahams. We were sitting in armchairs in his agent's office in Hollywood. Or rather Nielsen was sitting on a whoopee cushion and I had been reacting politely to his re-run of a rude-noises routine he had once done on the Wogan show.

As modern cinema's surest serial laughter-raiser, this man now thinks he ought to be comic off screen. But it is Nielsen's non-comic persona that makes him funny: that craggy face lined with wisdom and topped with Biblical-white hair; that bass voice made to boom orders or to purr fathomless authority. Set them up; burnish them to a glow; then have his characters drive into dushins, mispronounce names or have "safe sex"

with Priscilla Presley (*Naked Gun 2½*) wrapped in a body-sized condom.

Nielsen, though, thinks the incongruities were there from the beginning. "I'm bow-legged," he explains, recalling his first movie. That was *The Vagabond King*, a sort of mediaeval musical. "They make armour for straight-legged people, so as soon as I put it on, I went 'Yeeaggh!' They had to bend my leg-casings. Then I had to walk across the ballroom floor to confront the Dauphin, and the director Michael Curtiz (of *Casablanca*), who was Hungarian, said 'Leslie, I want you should move quickly for my tempo.' I said, 'Yes, Mr Curtiz' and off I went. Two years later I saw the film and watched this guy going across the floor looking like a giant egg-beater. If they'd thrown 10,000 eggs in, I could've made breakfast for the army."

I had barely noticed his bow legs, I said. But perhaps they are the



Nielsen lampooning the 1950s

concealed motley on a man born to move from Hamlet to clown, even though it took three decades. Nielsen himself cannot believe his career kismet - or that he now thrives in big-city Los Angeles. "Where I was born (Regina, Can-

ada), you had different priorities. I had no choice to become streetwise, because we had no streets. I knew about animals and wheat and mud and gumbo and 64 below zero. Coming from that to Los Angeles, I was someone with a monumental sense of not belonging. I was afraid I'd be found out as untalented and sent back to Canada."

Instead he rose to fame during the incredibly earnest 1950s. His air of avuncular command on screen - a sort of Eisenhower with hair - must have massaged a national of bruised postwar nerves and egos. Nielsen himself has a fascination with that time and what it was about. "Change. Americans were called on to respond to so many changes so rapidly, it's a testimony to the vitality of the society itself that it has survived."

"But changes make you vulnerable, and the values you're talking about" - I had been going on about Doris Day and the squeaky-clean

movement - "became very important to hold on to. Because you did feel there was something slipping away, and 'squeaky clean' means you think you know what you're doing. It's a lack of reality about change; not seeing things as they really were; wanting to keep everything the same."

And 1950s styles and pseudo-certainties, surely, are what movies like *Airplane* and *The Naked Gun* are now lampooning? That daft sense of never had it so good, of "Someone is in charge, of keep the clay feet hidden and our heroes will remain heroes. The affluent, over-confident 1950s/early '90s saw a mirror image giggling back at them from the 1950s. *Airplane's* point of departure was an old Doris Day movie, in which the perfect virgin steered a troubled passenger plane to safety. And *The Naked Gun* series takes off from - and takes off - all those 1950s police shows like *Dragnet* and *Highway Patrol*

where civilisation was saved by cops with deep voice-overs.

Nielsen himself received only one unalterable rule from Messrs Zucker, Zucker and Abraham when he was thrown into *Airplane*. "They said, 'At no time behave in a way that tells the audience you're trying to be funny.'" Nor was any improvising allowed on the script. "Comedy is very hard. The smallest deviation can kill the joke." So he and fellow veterans Robert Stack and Lloyd Bridges donned the frowns and speak-your-weight voices and provided the most powerfully assured old-timers' reunion in all of movie comedy.

Now *Naked Gun 3½* is about to discharge itself on screen (UK, May 19) and Leslie Nielsen has become a millionaire of stage, screen and cinder commercials. He must be afraid that after decades of being typecast as a straight man, with no escape route into comedy, he is now typecast for life as a funny-man.

"No. I am so grateful. My career has been such an incredible roll of the dice. I have no ambitions to play Hamlet." Well, but now he mentions it - if Mel Gibson and Arnold (Last Action Hero) Schwarzenegger can do it...



An unsparingly frank analysis of sterile bourgeois life: Sheila Gish as Yvonne and Jude Law as her son Michael in Sean Mathias's new production for the National Theatre

## A bedroom farce turns tragic

Paul Driver reviews Cocteau's 'Les Parents terribles'

Jean Cocteau's play *Les Parents terribles*, as staged by Sean Mathias at the Lyttelton Theatre, represents an unusual genre: the farce with recriminations. Just as the play seems merrily set up as bedroom knockabout, with the requisite sexual confusions and infidelities, its humour is apt to freeze at the source, and a terrible reckoning of the human consequences be forced upon us. Never till the - actually tragic - end is one sure how far this process is going to go. The balance of misery and witticism, truthfulness and fun, is too fine for comfort.

Cocteau wrote the work (apparently in a mere eight days when under the influence of opium) in 1938, and it is not to be confused with his 1929 novel, *Les Enfants terribles*. Both works were made into films, the latter by Jean-Pierre Melville in 1950, the former by Cocteau himself two years before. The premiere and sub-

sequent revival of the play of *Les Parents* in Paris were banned as immoral, and it is not hard to see how Cocteau's unsparingly frank analysis of hypocritical and emotionally sterile upper bourgeois life must have genuinely hit its target.

The play is built round a central, gallically precise opposition of disorder and order, the mock-gypsy squalor of George and Yvonne's apartment (for Acts 1 and 2) and the clinical austerity of the young woman Madeleine's (for Act 3). The long marriage of the first two has become loveless and suffo-

cating. Yvonne is a semi-invalid who spends all her time in a darkened room and lives only for her son Michael; George a failed inventor whose emotional deprivation has led him into what proves a desperately tangled affair with Madeleine, with whom Michael falls in love passionately.

For the ultimate benefit of everyone - a spinster aunt Leonie, who has sacrificed her life for George and Yvonne, completes the tight little cast of five - Michael needs to escape the messy gloom which symbolised above all by his incestuously possessive mother, and

break into space and light. The contrast between Stephen Brinsford Lewis's two sets - a crepuscular tumble of clothes and shoes and bits and pieces versus a modernist realm of sanitary whiteness with its giant spiral staircase - defines the dilemma perfectly. But there proves no way into a shining brave new world in this *Pellets* at *Mélanie* of the boulevards.

Jeremy Sams has translated the play into a fluent modern English that does not court the dangers of topicality. Its slang ("peachy") is wisely already dated, its manipulation of

cliché ("strike while the iron is hot") carefully knowing. There is a useful snippet of Yeats ("rag and bone shop of the heart"); and true to Cocteau, everything that happens is "unbelievable".

The cast is strong. Sheila Gish as Yvonne is as blighted and consumptive - actually diabetic - as any moribund operatic heroine (the problem for the other characters is that she insists on being one). Her instant overreaction to the sweet reasonableness of Michael's confession of love for Madeleine is gloriously funny.

Frances de la Tour as Leonie brings off the tricky feat of having to seem both embittered and kindly; and Alan Howard's muttering George is a brilliant study of frazzled and hopeless but nonetheless Machiavellian middle-aged discontent. The role of Madeleine does not really allow Lynsey Baxter to offer much more than a sketch; but Jude Law's Michael is a full-blooded (and in the bathroom scene full frontal), romping, almost flatly extrovert portrayal. When the whole box set is recessed on its Lyttelton tracks at the end, however, messiness of a purely theatrical kind wins out.

judge and the prosecution ruthlessly to bully anyone conducting their own defence and smacks, in this play, of a lawyer's carrel.

*Rough Justice* is not very profound. It conforms effectively to the middlebrow rule of treating controversial subjects without much risk of offending anyone. Some of the characters, especially the wife, might be more developed. Still, the piece can hold an audience. I enjoyed it. Direction is by Robin Herford.

Malcolm Rutherford  
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## Drama in court

Terence Frisby wrote the memorably named play *There's a Girl in My Soup*. A slightly Noel Coward piece about a wine and food critic who expects to seduce every pretty girl in sight, it ran for over six years in the West end, starting in 1966.

Fashions change, however. When I went to look it up, I was convinced that it must have been called *There's a Girl in My Soup*. No-one treats philandering so lightly today. Frisby has changed too: out with the frivolous, in with the serious. The only common element between *Soup* and *Rough*

*Justice* is that the central character is a media man who also writes books. But they are writers of a very different kind. Robert Dammers in *Soup* is pompous and vain and would never have written about ethics; that it must have been called *There's a Girl in My Soup*, represents as his name suggests - the higher journalism.

The trouble is that this paradigm of liberal virtue is up in court for having killed his brain damaged baby son. Or so

it seems. But I shall not give away the plot, save to say that it you are of a sentimental frame of mind, you can probably guess the outcome.

The action takes place in the Old Bailey, mainly in court, sometimes in the defendant's cell and occasionally in a corridor outside where deals between lawyers can be done. As in most court dramas, the characters tend to be made out of cardboard. Nevertheless, there is a Wimbledon-like fas-

cination in watching the exchanges between the prosecuting counsel Margaret Casely QC (Diana Quick) and the defendant played with some anguish by Martin Shaw. Alan Dobie judge sits as the umpire in the middle.

Issues abound: the case for so-called mercy killing and the distinction between murder and manslaughter. The law which comes in for most abuse (rightly in my view) is contempt of court: it allows the

## New 'Cosi' with a twist

The question one always wants to ask at this opera is "How do the couples pair off at the end?" Mozart and Da Ponte left the conclusion of *Così fan tutte* ambiguous and it seemed that productions have tried out every possible answer - until this one came along. The new management at English National Opera has already stated that it sees one of its prime duties as renewing

the standard repertoire. During the 1980s Mozart was kept out of the hands of ENO's band of fire-raisers, who wanted to watch traditional stagings burn. Jonathan Miller and John Cox were more interested in period social values and left behind Mozart productions of a gentler nature.

Nevertheless, a start has to be made some time and this new *Così fan tutte* is presumably the beginning of a renewal of the Mozart/Da Ponte trilogy. The opera is an open invitation to a producer. Its six characters live in a world of their own, untouched by any outside intervention as they play out all the roles in a patently unreal comedy. Almost any time or place will do.

ENO's producer, Nicolette Molnar has chosen the 1950s. The villa has a telephone, natty silk pyjamas are coming

into fashion and the home-help finds an amusing new use for her vacuum cleaner, but all this is mere cosmetics. Despite its trendy 1950s hairstyle, the opera has the same profile underneath. In Jacqueline Gunn's semi-abstract set, a mixture of decaying neo-classical columns and fancy 1950s iron work, the locale also remains Naples.

Despina is very much a dark-haired Neapolitan, neatly played by Sally Harrison. Don Alfonso looks more a debonair man of culture from the North, in whose gravat and white trousers Richard Van Allan looks entirely at ease, even if he needs more voice these days. Neill Archer is a vocally rugged Ferrando; Christopher Booth-Jones puts the words across strongly as Guglielmo. The two men play well together and their disguise as a gross pair of Texan cowboys

works better than one feels it should.

Like the production, the conductor Nicholas Kok gives the opera more pace than depth. One of the main pleasures is the musical care taken over the ensembles, not least the well-matched singing of the two ladies. Vivian Tierney's soprano has a fine strength and poise, while Susan Bickley's mezzo complements her with a darker bite to the tone. After the men have left for war, it is touching to see Floridigi cuddling her teddy and Dorabella sniffling into her tissues - humour and sentiment on a knife-edge, as they always should be in this opera.

And what of the twist at the end? As the two couples get ready for the wedding, it is Floridigi and Dorabella looking under the brides' veils who are masquerading this time. The real girls are making

Off the Wall/Antony Thorncroft  
Good times are coming

After years spent rattling the collection tins, in less than nine months the arts, to say nothing of sport and charities, will be enjoying the extraordinary experience of being pelted with cash.

By January the National Lottery should be on stream, with good causes receiving around a quarter of its takings, and already the cautious estimates made by Peter Brooke, the heritage secretary, are being increased. With over 20m people viewing the televised Saturday night jackpot ceremonies, the thinking is that instead of the arts sharing £70m a year the sum could well be over £100m. Each month the lottery department at the Arts Council will be asking the council to approve cheques totalling around £10m for dozens of arts organisations around the UK.

Jeremy Newton, from Eastern Arts, has been chosen as lottery director and Peter Gummer is to be chairman of the National Lottery Advisory Board. Newton anticipates that the awards will fall into two categories: lots of small sums, from £1,000 to £50,000, going to help rebuild a village concert hall, or an inner city video workshop; and £50,000 to £10m donations, perhaps announced each quarter, for a regional theatre renovation or an opera house back stage re-vamp.

The money must go on capital projects, and the recipient arts organisation must rustle up some matching funding, perhaps only 25 per cent of the total if it is a priority project, but up to 75 per cent for a less essential facility.

No one can doubt that the arts scene in the UK will be totally transformed. But who will actually fund the performances taking place in these smartened venues? The company operating the lottery is likely to become very profitable and will be under pressure to give back some of the excess by sponsoring arts events. If Richard Bransons's syndicate wins, all the surplus will be re-invested. All in all it sounds

too good to be true. Surely there must be a catch?

The City of London is finally embracing the arts with enthusiasm. Its £30m a year budget means that it is actually the third biggest patron of the arts in the UK (after the Arts Council and the BBC) but fears of crass comments by philistine members of the corporation has meant that it has played down its largesse in the past.

Not any more. This week it announced that it was putting up £950,000 over the next four years to give the annual City of London Festival much needed impact. Richard Hickox has been appointed artistic director and he starts next year with a major themed festival, "Purcell and his successors". The City's money must be matched by sponsors, but since sponsors have contributed £1m between them over the past four rather tame years, this is not causing many sleepless nights.

David Puttnam is the natural successor to Lord Attenborough as the advocate and conscience of the British film industry. Taking time off from pointing out to the government how even minimal support could work wonders for the hard pressed British film industry (Ireland is now awash with film crews after introducing a marginal tax incentive), Puttnam this week came out as a supporter of a common sense approach to censorship. He has expressed his approval of the new law on video nasties.

But he was careful to distinguish the evil of violence from less reprehensible sex and bad language. Indeed, he revealed, he had to tack on an extra scene for the American version of his first great success *Chariots of Fire* just to add in the word "shit". Without it, the film would have qualified for a family audience certificate, and been characterised as a Disney type production. One swear word meant it needed parental guidance, making it a serious movie, and led to an Oscar.

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## TELEVISION

## SATURDAY

BBC1	BBC2	LWT	CHANNEL4	REGIONS
<p>12.00 News. 12.05 The Cat. 7.45 Joe 90. 8.10 Joe Legend of Prince Valiant. 9.30 Round the Bend. 9.50 Parrot. 11.00 Film: Asylum in Britain.</p> <p>12.12 Weather.</p> <p>12.15 Grandstand. Introduced by Steve Rider. 12.20 Football Focus. A preview of the final weekend of the Premiership season. 1.00 News. 1.05 Athletics. A report on the 40th anniversary of the first sub 4-minute mile. 1.15 Three-Day Evening. The cross-country stage from Badminton. 1.25 Racing from Lingfield Park. The 1.30 Catwell Filling Station. 1.35 Three-Day Evening. 1.55 Racing. The 2.00 Champagne Ruinart. 2.05 Three-Day Evening. 2.25 Racing. The 2.30 Javelin Insurance Brokers Ltd Derby Trial Stakes. 2.35 Rugby Union: Bath v Leicester in the Pilkington Cup Final at Twickenham. 4.35 Final Score. Times may vary.</p> <p>5.10 Regional News and Sport.</p> <p>5.25 Stay Tuned! Tony Robinson introduces cartoon features.</p> <p>5.50 Jim'll Fix It. Jimmy Savile makes dreams come true for more viewers, including a light-bulb enthusiast keen to watch the preparations for Blackpool Illuminations, and two bathroom dancing fans who get to practice with the Pange Latin Formation Team.</p> <p>6.25 The Paul Daniels Magic Show. Mystery and illusion from British magician Stephen Tucker, and popular cartoon characters Cuckoo du Soleil.</p> <p>7.15 The New Adventures of Superman. Lois and Clark suspect a rival newspaper publisher is deliberately causing tragedies to cause headline stories.</p> <p>8.00 Film: Buddy's Song. Premiers. A teenage would-be rock star tries to live down the wayward antics of his father, an ex-prisoner. Musical drama, starring Chasney Hawkes and Roger Daltrey (1990).</p> <p>9.45 The Life.</p> <p>10.55 News and Sport. Weather.</p> <p>10.55 Match of the Day. Two of today's top games on the first weekend of the FA Premiership season.</p> <p>11.45 Film: Fast-Forward. Premiers. Comedy drama, starring James Woods as a prison warden who becomes involved in a conspiracy to murder a black inmate. With Kay Lenz (1991).</p> <p>1.35 Weather.</p> <p>1.40 Close.</p>	<p>6.00 Open University. 12.15 pm Film: So Long at the Fair.</p> <p>1.40 Time with Benjamin. First of seven programmes celebrating poet Sir John Betjeman.</p> <p>2.30 Scrutiny. Documentary on the UK's parliamentary committees.</p> <p>3.00 Film: Doctor in the House. Comedy following the antics and wit of a group of medical students. Dirk Bogarde and Kenneth More star (1954).</p> <p>4.30 Golf and Badminton Horse Trials. Golf: International Open. Dougie Donnelly introduces live coverage of the closing stages of the third round from St Mellion. Equestrianism: Action from today's cross-country section. Commentary by Michael Tucker, Lorna Clarke and Lucinda Green.</p> <p>7.00 News and Sport. Weather.</p> <p>7.15 John. Tribute to cricket commentator John Johnstone, who died in January after a 40-year career as one of Britain's best-loved broadcasters. The programme features a selection of his most memorable moments at the microphone, and includes personal recollections by Geoff Boycott, David Gower and Paul Trueman. UK prime minister John Major also pays tribute to the man long regarded as the voice of English cricket.</p> <p>7.45 Arena. Film exploring the lives of the Brazilian Bahia people, revealing the details of a rare religious ceremony. Jans Botova investigates the Angolan martial art known as Capoeira, and joins local residents for their annual carnival. She also meets a children's percussion orchestra who play on recycled everyday objects, and views performances by up-and-coming stars, including Margaret Menezes and Caroline Brown, and two of Bahia's biggest Afro percussion groups, Ilé Ayé and Ododom.</p> <p>8.35 Have I Got News for You.</p> <p>10.05 Seinfeld.</p> <p>10.30 Later with Jools Holland.</p> <p>11.25 Film: All the President's Men. Fact-based political thriller, starring Robert Redford and Dustin Hoffman as the investigative journalists who exposed the Watergate cover-up (1976).</p> <p>1.45 Close.</p>	<p>6.00 GMTV. 9.25 Gimmie 5. 11.30 The TV Chart Show. 12.30 pm Opening Shot.</p> <p>1.00 ITN News. Weather.</p> <p>1.05 London Today. Weather.</p> <p>1.10 Movies, Games and Videos. Reviews of My Father the Hero, starring Gerard Depardieu, and What's Eating Gilbert Grape?, featuring Johnny Depp in the title role.</p> <p>1.40 NBA Basketball. Alton Byrd introduces the game of the week.</p> <p>2.40 Cartoon Time.</p> <p>2.55 Film: White With Doctor. A nurse tries to bring the benefits of modern medicine to the Congo. Adventure, starring Susan Hayward and Robert Mitchum (1953).</p> <p>4.40 ITN News and Results. Weather.</p> <p>5.00 London Today. Weather.</p> <p>5.20 Bullseye. Jim Bowen fires the questions and Raymond Barneveld does his bit for charity in another edition of the darts-based quiz.</p> <p>5.50 Baywatch. Stephanie joins the Coast Guard in an attempt to crack a dangerous arms smuggling ring operating along the coastline.</p> <p>6.45 Stars in Their Eyes Special. The winners and runners-up from previous series appear in a musical extravaganza to kick off this year's competition. Presented by Matthew Kelly.</p> <p>7.30 The Brian Conley Show. New series. Comedy and music show with award-winning funnyman Brian Conley and his guests East 17.</p> <p>8.15 You're Been Framed!</p> <p>8.45 ITN News. Weather.</p> <p>8.55 London Today.</p> <p>9.00 Taggart. The Glasgow detective's patience and perceptions are tested to the limit when he and Jardine investigate two suspicious deaths - which is the suicide and which the murder? Features length episode of the popular detective drama, starring Mark McManus, James Macpherson, Blythe Duff, Jason Isaacs, Tam Dean Scott and Meera Syal.</p> <p>11.35 Secret of the Sahara. Two-part drama. A renowned American archaeological expedition is investigating the existence of the legendary Talking Mountain. Telly Savalas stars; ITN News Headlines.</p> <p>2.40 The Big E. ITN News Headlines.</p> <p>3.35 American Gladiators.</p> <p>4.30 RPM.</p> <p>5.00 Hot Wheels.</p>	<p>5.00 4-Tel on View. 6.30 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 Sign On: Newswatch. 12.30 pm Bombay Chat.</p> <p>1.00 Film: The Overlanders. Drama about an Australian rancher who embarks on a cattle drive to save his herd from potential danger during the second world war. Chips Rafferty stars (1946).</p> <p>2.40 Film: Destination Gobi. American military personnel join Mongol tribesmen to fight the Japanese. Wartime adventure, starring Richard Widmark and Don Taylor (1953).</p> <p>4.10 Russian Puppets. Double bill of animations by Vadim Kurchensky and Mikhail Kamenetsky.</p> <p>4.35 New Kids on the Block. Documentary following the Lloyds Bank Film Challenge competition for young writers, introducing a season of films by the winners.</p> <p>5.05 The Big Bang. Comedy about a group of scientists who discuss their theories on British TV.</p> <p>6.30 Right to Reply Special. Viewers and programme-makers debate whether extreme right-wing groups should be allowed to discuss their policies on British TV.</p> <p>7.00 A Week in Politics. Special edition examining the future of local democracy, asking whether council election results have any real effect on voters' lives; News Summary.</p> <p>7.55 Fireworks. Dramatic account of the origins of democracy, performed by travelling theatre group Bread and Roses in Lewes, Sussex, last year. Focusing on the English Civil War, the American War of Independence and the French Revolution, the play explores how ideas of political freedom have developed. With Larry Lamb, Miles Anderson, Oliver Cotton and Leonie Millner.</p> <p>9.00 NYPD Blues. Det Sharon LaShell considers quitting the force, and the father of a murdered 15-year-old boy begs the law into his own hands.</p> <p>10.00 Don't Forget Your Toothbrush. Highlights from the recent series, hosted by Chris Evans.</p> <p>11.05 Film: Dances With Wolves. Depardieu plays the charismatic leader of the French Revolution who falls foul of his loyal Robespierres. Historical drama, with Wojciech Pszoniak (1992).</p> <p>1.30 Late Licence.</p> <p>1.40 Herman's Head.</p> <p>2.10 Naked City.</p> <p>2.35 The Remains of the Day. Drama.</p> <p>3.35 True or False.</p> <p>3.55 Electric Blue.</p> <p>4.25 Close.</p>	<p>ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:</p> <p>12.00 News. Games and Videos. 1.05 Anglia News. 1.10 Carlton News. 1.20 The Musters Today. 1.45 World Cup Hall of Fame. 2.15 Swiss Family Robinson. (1980) 5.00 Anglia News and Sport. 5.55 Anglia Weather. 11.25 Monte Walsh. (1979)</p> <p>BORDER:</p> <p>12.30 COPPS. 1.05 Border News. 1.40 Set the World on Fire. The Cosmos of Rome. (1984) 5.55 Superstars of Wrestling. 5.00 Border News. 5.10 Carlton News. 11.25 Monte Walsh. (1979)</p> <p>CENTRAL:</p> <p>12.30 America's Top 10. 1.05 Central News. 1.10 The Musters Today. 1.40 Movies, Games and Videos. 2.45 The Fall Guy. 3.40 MacGyver. 4.55 Central News. 5.10 Carlton News. 5.25 Local Weather. 11.25 The Park is Mine. (1994 1995)</p> <p>GRANADA:</p> <p>12.30 Sports. 1.05 Granada News. 1.40 Set the World on Fire. 2.10 Sporting Our Language. 2.10 Borderline. 2.15 The Musters Today. 2.35 The World. 3.55 WCV WorldWide Wrestling. 5.00 Granada Headlines. 5.05 Granada News. 1979. 5.55 Granada News. 11.25 Monte Walsh. (1979)</p> <p>GRANADA:</p> <p>12.30 COPPS. 1.05 Granada News. 1.40 Set the World on Fire. 2.10 The Cosmos of Rome. (1984) 5.55 Superstars of Wrestling. 5.00 Granada News. 5.10 Barry Burry. 11.25 Monte Walsh. (1979)</p> <p>ITV:</p> <p>12.30 World Cup Hall of Fame. 1.05 HTV News. 1.10 Set the World on Fire. 1.40 Local Scheme. (1979) 2.15 Movies, Games and Videos. 3.45 The A-Team. 4.10 The Musters Today. 5.00 Meridian News. 5.10 Carlton News. 11.25 One to One.</p> <p>ITV:</p> <p>12.30 Extra Time. 1.05 Scotland Today. 1.10 Speaking Our Language. 1.40 Telecast. 2.10 The Last of the Mohicans. (1979) 3.50 The A-Team. 4.10 The Musters Today. 5.00 Meridian News. 5.10 Carlton News. 11.25 One to One.</p> <p>ITV:</p> <p>12.30 Extra Time. 1.05 Scotland Today. 1.10 Speaking Our Language. 1.40 Telecast. 2.10 The Last of the Mohicans. (1979) 3.50 The A-Team. 4.10 The Musters Today. 5.00 Meridian News. 5.10 Carlton News. 11.25 One to One.</p> <p>ITV:</p> <p>12.30 Extra Time. 1.05 Scotland Today. 1.10 Speaking Our Language. 1.40 Telecast. 2.10 The Last of the Mohicans. (1979) 3.50 The A-Team. 4.10 The Musters Today. 5.00 Meridian News. 5.10 Carlton News. 11.25 One to One.</p>

## SUNDAY

BBC1	BBC2	LWT	CHANNEL4	REGIONS
<p>7.30 Johnson and Friends. 7.40 Playdays. 8.00 Blood and Wine. 8.15 Breakfast with Frost. 9.15 Hart to Hart. 10.00 See Hear. 10.20 Capital. 10.55 FOT. 11.20 A Likely Lad. 11.45 pm Surf. 12.00 Around Westminster.</p> <p>12.00 Countryfile.</p> <p>12.25 Weather for the Week Ahead.</p> <p>12.30 News.</p> <p>1.25 On the Record.</p> <p>1.30 EastEnders.</p> <p>1.35 The Flintstones.</p> <p>2.50 Film: The Greatest Show on Earth. Epic drama, starring James Stewart and Charlton Heston (1952).</p> <p>5.25 Second Chance. New series. Profiles of people who have taken adult learning courses to gain new skills or qualifications.</p> <p>5.30 Masterchef. Jane Asher and Ken Hom judge the culinary efforts of contestants from Clitheroe, Poulton-le-Fylde and Louth.</p> <p>6.05 News.</p> <p>6.05 Songs of Praise. Pam Rhodes joins the congregation at Wyndham Abbey in Norfolk to celebrate the life of religious hermit Julian of Norwich.</p> <p>7.00 Last of the Summer Wine. Feature-length episode. Compo, Clegg and Foggy send an ailing friend on a last trip with his beloved, which proves final in more ways than expected.</p> <p>8.30 Pie in the Sky.</p> <p>9.25 News and Weather.</p> <p>9.35 Family. New series. Bookend Prize-winner Roddy Doyle's emotional drama charting the day-to-day dilemmas of a Dublin family on the brink of collapse. The first episode focuses on the main character, as father Charlie's violent behaviour and small-time burglaries. Starring Sean McGinley, Ger Ryan, Neil Corcoran and Barry Ward.</p> <p>10.25 Mastermind.</p> <p>10.55 Everyman. In the first of two programmes investigating marriage and divorce, eight people who have been married 34 years between them discuss the pitfalls of living the knot over and over again.</p> <p>11.35 Film: The Late Show. A detective investigates a connection between the murder of a Dublin family on the brink of collapse. The first episode focuses on the main character, as father Charlie's violent behaviour and small-time burglaries. Starring Sean McGinley, Ger Ryan, Neil Corcoran and Barry Ward.</p> <p>1.05 Weather.</p> <p>1.10 Close.</p>	<p>6.15 Open University. 9.10 Friday Foodie. 9.25 Simon and the Witch. 9.45 Revue's American Tales. 10.00 See Hear. 10.20 Capital. 10.55 FOT. 11.20 A Likely Lad. 11.45 pm Surf. 12.00 Around Westminster.</p> <p>12.30 Sunday Grandstand. Introduced by Sue Barker. 12.35 Motor Sport: The British Touring Car Championship. 1.00 Basketball: The British League Play-Off Final. 1.40 Golf: International Open. 2.40 Three-Day Evening: The Badminton Horse Trials. 4.00 Golf. Times may vary. Subsequent programmes may run late.</p> <p>6.10 The Natural World. Documentary about the recent inhabiting the mountainous region of Snowdonia National Park in Wales.</p> <p>7.00 The Money Programme. The success of Direct Line motor insurance, whose innovative approach has made its founder Peter Wood a multi-millionaire.</p> <p>7.40 La Difference. Comedian Mark Thomas searches vainly for a vegetarian meal in Paris, and journalist Lowri Turner checks out expensive beauty treatments.</p> <p>8.20 John Sessions' Likely Stories. New series. Offbeat tales, beginning with the story of a pompous actor whose career prospects take a humiliating turn as old age approaches.</p> <p>8.50 Watergate. New series. In 1972 Richard Nixon's re-election committee were arrested while breaking into the Democrats' headquarters in Washington's Watergate building. The subsequent official investigation exposed a series of illegal activities on the part of White House staff and forced the president to resign in disgrace. This documentary, drawing on previously unpublished evidence and exclusive interviews, reveals the extent of Nixon's involvement in one of the biggest scandals in US political history.</p> <p>8.40 Time Enough or Not Enough. Timel Post Sir John Betjeman's last TV interview.</p> <p>9.55 Late Flowering Lust. Musical comedy drama inspired by Sir John Betjeman's poems, starring Nigel Hawthorne as an elderly party guest reflecting on a rival youth.</p> <p>10.50 Filmworks. Robert McKee introduces tonight's French offering. Film: Wages of Fear. Truck drivers transport explosives across a mountain range in order to help extinguish a South American oil fire. Classic action thriller, starring Yves Montand (1953). English subtitles.</p> <p>1.25 Close.</p>	<p>6.00 GMTV. 9.25 The Little Hobo. 10.15 Link. 10.30 Sunday Morning with Seamus. 11.00 Morning with Seamus. 11.30 The Big E. 11.45 pm Surf. 12.00 pm Crocodile. London Weather.</p> <p>1.00 ITN News. Weather.</p> <p>1.10 The Judy Farnham Debates. New series. Discussion of the day's main moral and political issues.</p> <p>1.20 Hannah USA. The daughter of the Dales is taken on a tour of the White House in Washington.</p> <p>2.30 The Sunday Movie. Crystal Palace v Watford. Live coverage from Selhurst Park.</p> <p>5.00 Country Ways. Portrait of the Potter Levels on the borders of Kent and Sussex.</p> <p>5.30 The London Programme. Trevor Phillips examines illegal evictions and harassment of tenants.</p> <p>6.00 London Tonight. Weather.</p> <p>6.20 ITN News.</p> <p>6.30 Through the Keyhole. Carol Vorderman, Chris Tarrant and Andrew Neil guess the celebrity owners of houses. Chaired by Sir David Frost.</p> <p>7.00 Surprised.</p> <p>8.00 The Dwellings Place. New series. Three-part drama about a teenage girl's fight to keep her five young brothers and sisters from the workhouse. Based on Catherine Cookson's novel, starring Tracy Whitall and Ray Stevenson.</p> <p>9.00 The Knock. An armed robbery leads to the fight of the week's winner, as the International Whaling Commission prepares to decide whether commercial whaling should be resumed in the southern hemisphere.</p> <p>10.00 Spitting Image.</p> <p>10.10 ITN News. Weather.</p> <p>10.40 London Weather.</p> <p>10.45 The Big Fight Special. Highlights of Frankie Randall v John Cusack Chavez, Simon Brown v Terry Norrington, and a rematch between Laiza. Triple bill of WBC world title rematches from Las Vegas.</p> <p>11.45 The Last Whistle. Documentary on the plight of the world's whales, as the International Whaling Commission prepares to decide whether commercial whaling should be resumed in the southern hemisphere.</p> <p>12.35 Sell the World.</p> <p>1.05 Get Stuffed! ITN News Headlines.</p> <p>1.10 Coo the Music.</p> <p>2.10 The Big Fight Special. Highlights of Frankie Randall v John Cusack Chavez, Simon Brown v Terry Norrington, and a rematch between Laiza. Triple bill of WBC world title rematches from Las Vegas.</p> <p>2.55 Get Stuffed! ITN News Headlines.</p> <p>4.00 Snooker: The European League.</p> <p>5.00 Dining in France.</p>	<p>6.05 Early Morning. 9.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Remède. 11.45 Little House on the Prairie. 12.45 pm Surf Postbox.</p> <p>1.15 Film: Kiss Them For Me. A Navy pilot falls for an industrialist's girlfriend while on leave in San Francisco. Classic comedy, starring Cary Grant and Jayne Mansfield (1957).</p> <p>3.05 Inferno Tarnish. The National League. New series. The Premier Trophy from the Royal Berkshire Club, Swindon.</p> <p>3.35 Film: What the Day Well? German paratroopers disguised as British soldiers infiltrate an English village. War thriller, starring Leslie Banks (1942); News.</p> <p>5.20 Footloose. Investigative journalist Paul Foot, Joe Layton and Sheila Barrege examine the growth of quangoes, the non-elected bodies in charge of public spending, and ask if they always act in the best interests of the public.</p> <p>6.00 Harry Enfield's Guide to Opera. With the help of Plácido Domingo, Harry finds out how people embark on operatic careers. Last in series.</p> <p>6.30 The Cosby Show.</p> <p>7.00 Encounters. A year in the life of Australia's wild eastern grey kangaroos. Joe Layton and Sheila Barrege focus on a gang of 60 animals living in a remote area, following their growth from infancy to adulthood, and constant struggle for survival against threats such as natural disasters and manning wild dogs.</p> <p>6.00 Power and the People. Members of the public debate law and order, discussing the causes of crime and the best methods of dealing with it. Presented by Sharna McDonald, with contributions from Conservative Home Affairs Committee chairman Sir Iwan Llewellyn, Labour shadow home secretary Tony Blair and chief constable of Thames Valley Police.</p> <p>10.00 Film: Miller's Crossing. Premiers. Offbeat thriller, starring Gabriel Byrne as a gangster's right-hand man who decides to offer his services to a rival hoodlum. With Albert Finney (1990).</p> <p>12.10 Film: Kiss and Whispers. Ingmar Bergman's last film, a love story, centring on three Swedish sisters, one of whom is dying of cancer. Harriet Anderson and Liv Ullmann star (1972) (English subtitles).</p> <p>1.45 Close.</p>	<p>ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:</p> <p>6.05 The New Scooby Doo Movies. 12.30 The Little Hobo. 12.45 Anglia News. 2.00 Wanted: Dead or Alive. 2.30 Dinosaurs. 2.55 Who Fier. (1959) 5.00 Anglia Sport. 5.05 Anglia News on Sunday. 10.40 Anglia Weather. 11.45 Set the World on Fire.</p> <p>CENTRAL:</p> <p>6.05 The New Scooby Doo Movies. 12.30 Central News. 12.55 Central News. 2.00 Take 15. 2.15 Gardening Time. 2.30 The Central Match - Live. 3.00 The Central Match - Live. 3.30 The Central Match - Live. 4.00 The Central Match - Live. 4.30 The Central Match - Live. 4.55 The Central Match - Live. 5.00 The Central Match - Live. 5.10 The Central Match - Live. 5.15 The Central Match - Live. 5.20 The Central Match - Live. 5.25 The Central Match - Live. 5.30 The Central Match - Live. 5.35 The Central Match - Live. 5.40 The Central Match - Live. 5.45 The Central Match - Live. 5.50 The Central Match - Live. 5.55 The Central Match - Live. 6.00 The Central Match - Live. 6.05 The Central Match - Live. 6.10 The Central Match - Live. 6.15 The Central Match - Live. 6.20 The Central Match - Live. 6.25 The Central Match - Live. 6.30 The Central Match - Live. 6.35 The Central Match - 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I was never beaten as a pupil, in spite of being sent away as a prep-school boarder at the age of seven. When I emerged from the private education system, approximately 14 years later, my bottom was as serenely untouched as it had been at the outset.

Some might say that my parents did not get what they paid for. But, unless I am suffering from what psychologists call denial, I cannot recall any occasion on which I was beaten at home, either. In other words, I am not well qualified to enter into the great flogging debate.

This was started by the Singapore government's decision to give Michael Fay, an 18-year-old US resident, six strokes of the cane. It was augmented, by revelations in the UK, of the over-zealousness with which

## The press and the bottom line

Dominic Lawson is the proud holder of an unbeaten English seat

Anthony Chenevix-Trench, a former headmaster of Eton, is said to have beaten his pupils.

It appears that President Clinton's biggest foreign policy triumph to date - persuading the Singapore authorities to reduce Michael Fay's sentence from six strokes of the cane to four - has not been greeted enthusiastically in the US.

Apparently half the population would rather like to see the same sort of punishment carried out in America against vandals such as Michael Fay. It seems to me absurd that a president, who as Governor of Arkansas gave the go ahead to the judicial execution of a mentally impaired criminal, should lecture

another country on "barbaric practices".

In England too, there has been public approval of Michael Fay's caning. Across the top of yesterday's Daily Mail newspaper there is a garishly colourful picture of a cane, under the banner headline: "IS THIS THE ANSWER TO BRITAIN'S SOARING CRIME RATE?" Whether it would be or not, is, unfortunately for the Daily Mail's characteristically vigorous campaign, irrelevant.

The European Courts have already decreed that such corporal punishment is not to be allowed in the European Union, as the legislators in the Isle of Man discovered to

their irritation. No doubt the restoration of violent corporal punishment would give a lot of people enormous pleasure. The Daily Mail lingers long and lovingly over the details of Michael Fay's flogging. It was with a slight air of disappointment that one newspaper revealed that the Singaporean authorities allow the administering of a slight anaesthetic to the recipients of their judicial canings. Which brings us to Anthony Chenevix-Trench.

He, it is alleged, derived sexual satisfaction from flogging naughty Etonians, which, we are told, he carried out in a state of intoxication. In *The Spectator*, the British

political weekly magazine, Charles Moore, a pupil at Eton during the end of Chenevix-Trench's headmastership, argues that the old boy's excesses - which he never experienced at, um, first hand - should not be criticised at all.

"Since imaginative gifts are vital for good teaching and since sexual desire stimulates the imagination, it is not surprising that many great teachers are driven, in part, by desire for their pupils," argues Moore.

I do not know if Moore would continue to take such an unrefined attitude if his own son were to experience the same bizarre form of affection when he goes to Eton: but

then the situation is hardly likely to arise. Eton has abolished flogging. As Moore mournfully points out in his article: "Schools are freer than ever of such men [as Chenevix-Trench] and they are the poorer for it."

What we can say is that present day Singapore and the Eton of 25 years ago have much in common: a very hierarchical system within a closed society, self-confident about its own rigid values, whatever the outside world says. Perhaps those in this country who miss that, should consider settling in Singapore. I believe that it is still very much open to immigrants.

Otherwise, I continue to believe that those who enjoy the idea of a good flogging should not be prevented from the innocent pleasure of pursuing their perversion in the sanctity of their own home. All they have to do is read the newspapers. *Dominic Lawson is editor of the Spectator*

## For the chop

Michael Thompson-Noel



We are on our way out, men. Our Dunkirk looms. Our irrelevance grows more visible day by day. I am amazed at the speed of the staff revolution: at how quickly the

womankind has inveigled itself into position for its attack on mankind.

First we had millions of years of progressive and sensible evolution, during which we made our dispositions and thrashed out our gender roles. Then we had feminism, which was initially quite cute, smacking, as it did, of fairness and equality. Then - just like that - we were into post-feminism. Do you remember that? It was over in a trice. Now men are facing their final gory hour - the age of machismo.

Evidence? There is tons of it. My week started badly with a report, in *The Times*, by Sally Jones, that well-known snooty-drawers, on the horrible success of English female sporting teams. "Why can't our men be more like our women?" was how the termagant Jones kicked-off her report, and on it went from there.

Apparently, the English women's rugby team recently won the world championship. Apparently, last summer, the English women's cricket team won the World Cup. Apparently, the English women's football team has reached the quarter-finals of the European championship without losing a game. All of this, of course, in contrast to the various English men's teams, which

**HAWKS & HANDSAWS**

are not worth a toss. I am too much the gent to describe the crop-haired, jetty-jawed, quaking-thighed, punch-pot-in-the-mouth monstrosities that play in women's sports teams, especially England's.

But I confess I was driven to tears by the whingeing that the Jones creature instigated into her report alongside the triumphalism. Apparently, sponsors are uncommonly hard to find for women's sport. Apparently, it cost each England female rugby player an estimated \$5,000 to take part in the world championship and the international that preceded it.

Not that this will last. The way things are going, female sports stars will soon be awash in sponsorship money. The day of the first Elm lipstick endorsement is not far away. Male sports stars, in contrast, will be stripped of their contracts, demoted to their glamour, marginalised and humiliated by the suddenly swelling horde of female sports writers. Killers all, I have met quite a few.

The second vicious experience of my unpleasant week was to be traumatised by Maureen Freely's exploitative novel, *Under the Vulcania*, published by Bloomsbury, whose name, as you know, is synonymous with shame. I can hardly bring myself to explain what *Vulcania* is about; can hardly sit here at the screen, typing these words, without falling into a froth. But I think I have to try, if only to bolster my claim that the age of machismo has entered its dawn-time.

*Vulcania* is a palace of pleasure, set on a sculpted hilltop, attended by women - businesswomen, housewives - in order to recharge their batteries with personal servicing by discreet and well-muscled male undergraduates.

I will not describe what goes on in the Rough Trader Saloon, the Hard-On Cafe or the cubicles of the Roman Baths. Suffice it to say that *Under the Vulcania* is a scandalously voyeuristic, with no redeeming social or cultural values. The men are playthings, without dignity or feelings, to be used - and used again - and then cast away.

The week's third incident was the falling into my hands of yet another book: *Deadlier than the Male: Violence and Aggression in Women*, by Alix Kirsta, from HarperCollins. Whereas *Vulcania* is just pornography, *Deadlier than the Male* is dynamite.

It is a study of female anger, violence, hate and criminality. It is the first book, says the publisher, "in which a woman dares to challenge the most persistent and cherished images of her own sex. Drawing on recent sensational criminal cases, diverse academic research and extensive personal interviews with violent women, Alix Kirsta probes the blackest recesses of the female psyche. The resulting revelations about women's aggressive instincts [are] chilling and shocking... in demonstrating that women have as great a capacity as men for destructiveness, she ensures that our view of women can never be the same again."

It is all quite clear, men. We are heading for the chop. Will we go quietly? I maintain that we should

Private View/Christian Tyler

## The enemy of the cultural classes

Capitalist apostle, Michael Novak, believes that society is under attack and that welfare harms the poor

An odour of sanctimony clings to those who have seen the light. If the pitiless puritanism of the ultra-left is ugly, there is a sickly smell, too, about the certitude of the righteous right.

No doubt Michael Novak, a Catholic American theologian and political writer, is sincere to the bottom of his boots. He stands for liberty, democracy and morality. Much of what he says in praise of capitalism is probably correct. He is not (at least in US terms) on the extreme right. Nor, I am sure, would he endorse the claim of his professional publicist to be "one of the world's most original thinkers of the late 20th century".

And yet... Novak was this week presented in London with the £1m Templeton prize for "progress in religion", an obscure award designed by its founder, a retired Wall Street investor, to overshadow the Nobel. Among the judges were Baroness Thatcher and her former adviser Lord ("wealth is no sin") Griffiths.

Novak is said to have been studied by the leaders of Solidarity in Poland, Charter 77 in Czechoslovakia, Margaret Thatcher and even - it is rumoured - by the Pope. He is an *habitué* of the right-wing Institute of Economic Affairs in Westminster, so it was there that I met him this week.

I found a plump 60-year-old, smiling faintly and speaking in a high-pitched, somewhat effeminate voice. It was hard to imagine the robust youth he described who, at 14, entered a Catholic seminary in order to protect his priestly vocation from the temptations of football and girls.

Novak will not of course be spending his \$550,000 prize money on fast cars and finest caviar. He wants to set up scholarships at his old college in Massachusetts in memory of his parents and brother, a missionary murdered in Dacca 30 years ago. He will replace the old van which his artist wife uses to transport her paintings, educate their first grandchild and use the rest to buy more writing time.

His priestly vocation fell before the final hurdle of ordination. In those days an instinctive socialist - as he says most Catholic clergy are - he was gradually forced to the conclusion not only that socialism had done nothing to end poverty but that welfare was paralysing "the able-bodied poor".

He is not a *laissez-faire* libertarian. That, he said, was too narrowly individualistic, too abstract. He accepts the label neo-conservative even though it was used by his one-time hero, the Catholic socialist writer Michael Harrington, to describe defectors. Novak says that where formerly he was lionised, now he was "excommunicated".

Novak's thesis, advanced with a hint of heretic pride, is that the free society is everywhere under attack. The century we taught us that democracy was better than dictatorship and capitalism better than socialism. But democratic capitalism would not survive without the "habits of liberty", the moral dimension.

When I suggested he was still fighting the cold war, Novak talked about the enemy within.

"The heights of our culture, the journalists, the intellectuals, the universities, the artists, those responsible for the ideals and symbols by which we live are still predominantly to the left and anti-capitalist, with a passion and vigour."

Why are you so concerned, coming from the country least susceptible to socialism?

"Well, we have a president whose ideal society is Germany - its health system and so forth - and we have a large body of elite opinion moving in that direction. So it's not a dead issue. It's really hot."

With the churches losing their grip, where is the morality you speak of to come from?

"The Christian ethic was still strong in the US, he said. "But it's a real problem for secular Europe. It isn't that when people stop believing in God they believe nothing. They believe anything. It's a quip of Chesterton's. The most remarkable passions are sweeping through our highly educated classes. It's a sad thing that morality becomes the fashion of what you call in Britain the chattering classes."

Journalists are going to play the critical role because journalists are the media through which everything goes, then academics, professionals and, God willing, the churches.

"It can't be that all the blood that was shed for free institutions was shed for Madonna [he meant the singing one] and Phil Donahue and the rest of popular culture. There's got to be more than that. We've got to give more serious thought, or we will perish in the 21st century."

Apocalyptic stuff. But journalists as saviours of civilisation?

Novak continued: "That's where the greatest moral threat comes from today - our cultural classes."

Television and cinema had huge power over the souls of people but no guidelines or responsibilities. They were led by instinct, by what was popular.

I accused him of creating a straw man out of the remnants of socialism in order to make his attack seem more robust.

"If you don't think political correctness can go to absurd lengths, come to America for a while and you'll see the logic of uniformity pressed to its utmost."

But they're just a joke, I said.

It isn't a joke. We discussed the defects of capitalism and I cited the dereliction of upper Manhattan. Novak contrasted the entrepreneurship of the early immigrants with the welfare dependency of today's ghetto-dwellers. The devastation, he argued, was caused by welfare. Government intervention should be minimal, and welfare restricted to the old, young, ill and crippled.

What about the poor of Brazil? "I have been asked many times: What, sir, would you do if you had the power? Well, after overcoming the feeling of power rushing to my fingertips, I would do three things. The first would be to change the



Arthur Newman

law to make it easy for poor people to incorporate their own businesses, cheaply and easily - say \$30, through the mail in two weeks with no bribes and fees."

Entitling them to sell matches on the street?

"No, to do several things, to do what they undertake as a legal matter."

Like prostitution?

"That's a stupid question," Novak was stung. "That's a stupid question."

A study in Peru, he continued, had shown that 90 per cent of public transport and 60 per cent of housing was provided by illegals or *informal*

males who could be locked up for it. "Most poor are entrepreneurs. They are not peasants. They are fleeing the land in tens of millions. They are not proletarians, they are buyers and sellers and also very good little manufacturers."

The other two necessary reforms, he said, were access to credit and education. In Britain he detected "a larger sense of pride and belonging to a vital nation" as a result of neo-conservative policies.

There's also been a large increase in the number of young people sleeping on the street, I said. "I am not an expert in the British

situation. But if it is at all parallel to ours that goes along with how hard it still is in Britain to incorporate businesses. The greatest employer of youth is the small business. There's no shortage of work to be done, of housing in need of painting and plastering and so forth."

Capitalism tempered by conscience, and the marketplace as the fusion of individual interests for the common good. But was he telling us anything new?

"It's the tale of people who work in theology and philosophy, that whatever you uncover, if you uncover it well, should be said by others to have been there all the

time."

Yet your appeal seems to be to the past, I said: the Founding Fathers, minimal government, low taxation, self-reliance, community, a charming, pastoral picture of early America.

"But I think it's a quite combative picture in this part of the 20th century, a battle well worth fighting. Thomas Jefferson said that every generation has to recover the secrets of liberty. Because they are secrets. One reason they are so fragile is that any one generation can freely give them away, by neglect or by a wilful act, can turn off the lights and walk out."

kind of video game where cars travel at the greatest speed and only occasionally crash. The driver walks from his box, enters another and entertains the public again. Death becomes virtual reality."

For its next issue, the headline proclaimed that Formula One had died with Senna. Its commentary described this category of race as "a sort of 'citadel of madness'... creating paragon of mystification from a better past, and a present tending towards perdition."

The Latin temperament communicates the symbolic significance of events which stolid northerners find hard to reconcile with their fixed hierarchy of values. The latter feel ashamed of agonising over the death of racing drivers, so trivial in a world of mass tragedy. For Latins, though, all tragedies are linked: Imola and Bosnia are part of the same reality. It is all beyond me but, certainly, I now see motor racing in a different light.

James Morgan is economics correspondent of the BBC World Service.

As They Say in Europe/James Morgan

## Reality visits the race circuit

Many may have shared my opinion of motor racing: a matter of getting the best car available and putting your foot down. Noisy, dirty, tedious, you have no idea who is winning. It is the one sport which is the opposite of healthy exercise.

Indeed, it might even be disqualifying as a sport if you accept the definition laid down by an editor with whom I once worked: "Do you have to take your eye off your mouth before you start?" If you can smoke while doing it, then it isn't a sport - so motor racing ranks, or sits, alongside darts.

Yet, the tragedies of last weekend at Imola made me at least think again. Motor racing is the only competitive sport in which those involved risk their lives as a matter of course. The deaths of Roland Ratzenberger and Ayrton Senna also demonstrated the role of the racing driver as a universal modern icon. It attracts the same recog-

nition, even awe, from a global public. The fatalities perpetuated the myth of the driver-as-hero.

Reports and comment on the news also served to highlight contrasting national attitudes. Not towards motor racing but to the meaning of life and the significance of death as a spectacle.

In serious British newspapers, the events were a matter for the news and obituary pages. But most main French dailies decided that the loss of Ayrton Senna was worthy of the highest editorial consideration. The communist *Humanité* drew an unsurprising Marxist conclusion: "In spite of the intervention of the drivers, the sporting authorities did not neglect to interrupt the spectacle when it was

turning into a blood bath. Sponsors' contracts prevail."

For many, there was the problem of death-as-news. "If, in itself, the death of two drivers on a Formula One grand prix circuit is not more tragic than the numerous daily victims counted in Bosnia, Rwanda or on our roads, the death of Ayrton Senna arouses more than a passing emotion," said *La Nouvelle République du Centre-Ouest*.

It then went on to consider putting robots in cars, but concluded that no robot could replace the man in the cockpit because "once a fortnight, the grand prix races bring to 15bn viewers those heroes who bear their highest aspirations."

For *France-Soir*, the deaths provided yet another chance to con-

template the nature of human folly. Investing billions to gain a few seconds' contracts prevail. "If, in itself, the death of two drivers on a Formula One grand prix circuit is not more tragic than the numerous daily victims counted in Bosnia, Rwanda or on our roads, the death of Ayrton Senna arouses more than a passing emotion," said *La Nouvelle République du Centre-Ouest*.

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